



United States Agency for International Development

USAID/Russia Strategy Amendment

(1999 — 2005)

February 2002



Embassy of the United States of America

Moscow, Russia

February 7, 2002

Dr. Kent R. Hill
Assistant Administrator
Bureau for Europe and Eurasia
U.S. Agency for International Development

Dear Dr. Hill:

I am pleased to endorse this amendment to USAID's strategic plan for technical cooperation in Russia. As recommended by the 2001 Russia Assistance Review, USAID is concentrating its programs largely on supporting entrepreneurs, strengthening civil society and media, and improving Russians' health, with emphasis in all areas on reaching younger Russians.

The objectives and programs presented in the Strategy Amendment are congruent with and support U.S. national interests in Russia and strategic goals presented in U.S. Embassy Moscow's current Mission Performance Plan (MPP). In a number of these areas of activity, USAID programs are among our most effective foreign policy tools for facilitating steps by Russian institutions, decision-makers, businesses and civil society toward democratic governance and accelerated economic growth.

I also applaud the manner in which USAID carries out its work in Russia. Whether in promoting entrepreneurship, the growth of civil society and rule of law, improved environmental management, reoriented health services, or the struggle against tuberculosis and HIV/AIDS, USAID's style, in close collaboration with other agencies at Embassy Moscow, is to work in cooperation with Russians to build Russian institutions and ownership of needed reforms.

The reality of scarce resources for economic assistance and other U.S. Government programs in Russia dictates difficult choices. This strategy amendment reflects wise strategic choices and means that our USAID program will continue to play an important role in enabling Russia to build strong democratic institutions and a vibrant market economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Alexander Vershbow".

Alexander Vershbow
Ambassador

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Mission Director's Foreword

Much has changed in the vast Russian landscape since the 1999 Strategic Plan – both within Russia itself and in the country's relations with other nations. The USAID/Russia Mission is proud to submit this amended strategy, which tailors our program to reflect the dramatic gains and setbacks in Russia over the past three years and builds on USAID's work in Russia since 1992. You will see in this document that our view of the trends in Russia is mixed. The strategy thus reflects both continuity and change; both optimism and concern. As optimists, we know that the efforts of USAID's excellent staff and our partners over the past ten years have contributed significantly to Russia's gains, most particularly in economic reform, but also in strengthening core democratic institutions. As "worriers," we recognize that there have been setbacks, especially in Russia's democratic transition. Yet on balance, we firmly believe that Russia's future is far brighter today than it was in 1999.

Our tempered optimism is based above all on Russia's progress in economic reform. Many key economic policies and institutions are now in place, and there is growing consensus on the remaining reform agenda. Nonetheless, implementation remains problematic and uneven, especially in the regions, and the economy is still too dependent on large-scale extractive industry. Small-medium-size enterprises must expand their contributions to the country's economic growth, to entrepreneurship and to the creation of productive employment.

Much has also been accomplished in building a more democratic, civil society. There are stronger democratic institutions, as seen by the multitude of NGOs and community organizations, an increasingly active network of human rights activists and an increasingly "just" judicial system. But, in the effort to create order out of the chaos of the 1990's and to move the economic reform agenda forward, Russia's leaders often have veered toward "managed democracy" rather than protecting civil liberties, political pluralism and independence of the media. It is now clear that Russia's democratic transition and full observance of the rule of law will take many years; much remains to be done. Finally, although the past three years of economic growth have seen major strides in development of a middle class, especially in major cities, too many people have been left behind. The continued dangerous decline in public health — in part because of inadequate health services, in part because of unhealthy behavior and in part because of an unhealthy environment — requires urgent attention.

These successes and challenges are the basis for our amended strategy, and have led us to identify and adjust relative priorities. Therefore, during the strategy period, we will put greater emphasis on our democracy and health programs, and slightly less on our economic programs. Also, learning from our successes to date, we will pay greater attention to how our programs intersect and reinforce one another. For example, businesses will become more active in civil

society; economic think tanks will enter more actively into the political arena; legal clinics will push for the rule of law and thus help to improve the investment environment; NGOs, journalists and businesses will encourage steps by local governments to enhance transparency and reduce corruption; and improved health and child welfare services will give people a greater sense of control over their lives. In other words, vertical program stovepipes will be broken down and our strategic objective teams will think more “horizontally.”

This strategy amendment captures two other vital themes crucial to Russia’s transition: “Russianization” and “Partnership.” Both of these themes have long been woven throughout the USAID/Russia portfolio; and both will continue to be central to all we do. Yet recent experience also suggests that both should slightly change.

In practical terms, “Russianization” has meant the strengthening of and expanded use of Russian institutions, as well as Russian leadership of the reform process. There have been important successes — and Russian organizations such as the Institute of Urban Economics are now leading the country’s reform process. Yet such institutions were not created overnight. They were formed and strengthened with USAID support over many years. We remain committed to this long-term process of Russian institution-building, and this goal will continue to guide our work.

That said, the time has come to energize our thinking about “Russianization” by also focusing on attitudes and norms. Generations of Russians suffered through strong state control over all aspects of public and personal life, and this in turn bred passivity. While there are great examples of dynamism and entrepreneurship in Russia over the past ten years — as reflected by USAID’s own Russian staff — old attitudes about the rights and responsibilities of individual citizens have been slow to change. Therefore, throughout our portfolio, we will encourage a greater sense of personal responsibility and action — whether in promoting volunteerism and charitable giving, civic and business advocacy, or healthy lifestyles. Russians not only must lead the transition process; individuals at all levels must accept personal responsibility for actions within their control. This is especially true of youth: the future will depend on them.

Similarly, “Partnership” remains central, both because it is a long-term U.S. goal and because it reflects the appropriate posture for us in a Russian-led development process. We will continue to foster partnership at many levels — some will be between institutions; some will be between “mother” organizations and their new Russian off-spring (like the International Foundation for Electoral Support and the Institute for Electoral System Development); and some will be between U.S. and Russian grassroots organizations and communities. But, even while maintaining our commitment to partnerships, there will be subtle changes in how we look at them. Many Russian organizations and institutions are at a point where they can take greater initiative and leadership in relationships with U.S. counterparts, thus going beyond institutional mentoring relationships to build partnerships that truly are mutually beneficial.

In sum, Russia's future prospects are mixed. The tremendous progress of the past three years is fundamentally important and encouraging, as reflected by so many Russians working hard to create better lives for themselves and a stronger future for their country. But there will be struggles ahead to assure that laws and individual rights are respected, and the hands of those Russians who are advocating for those rights will need to be further strengthened. For ultimately, the implementation of economic reform, the growth of the small-medium-size enterprise sector and a middle class, and improved health and living standards all depend upon the active participation of people. And, their participation depends upon the political space within which they live. Does it support political pluralism and individual rights? Is there freedom of information? Is there a strong civil society? By helping Russians answer yes to these questions, we will help to create an optimistic future.

Carol Peasley
Mission Director
February 8, 2002

I. Context for an Amended Strategy

On the whole, most analysts and observers believe that Russia is well on its way to becoming what many Russians and almost everyone in the West would have wished for: a country of free markets, democratically elected government and private property operating under the rule of law.... Surveys indicate that the tenth anniversary of the end of the U.S.S.R. finds the Russian people more optimistic than they have ever been in the post-Soviet era.

— “After Fitful Start, Revolution Finally Under Way in Russia,” by John Daniszewski and Maura Reynolds, Los Angeles Times, January 1, 2002

When USAID/Russia’s current strategy was approved in 1999, no one would have thought this quotation possible. Credit for this success must go to the Russian people. Nonetheless, USAID has played an important role as a partner and catalyst for these changes. Our achievements over the last decade have made a critical difference in the lives of average Russians and have fundamentally advanced Russia’s economic, democratic and social transitions.

But back in 1999, the picture was less optimistic. Russia was still in the midst of a severe macroeconomic and financial crisis. The “lack of political consensus in the government or the Duma to move ahead with comprehensive economic reforms” was identified as the most significant obstacle to Russia’s transition to a market economy. With this backdrop, USAID set its sights on laying “a solid foundation for the adoption and use of democratic principles and free-market mechanisms at the grassroots in regions throughout Russia.” The strategy also signaled a change in the program: away from working with the central government, and towards expanded work in the regions with small businesses, non-governmental organizations and reform-minded local leaders.

Today, we remain committed to advancing Russia’s economic, democratic and social sector transitions, but the 1999 strategy is no longer adequate to guide USAID/Russia’s programs. The Russian economy has made a remarkable recovery, and the government and the Duma are now working closely together to enact major economic reform legislation. Meanwhile, many civil society institutions — especially the media — are now beleaguered by aggressive government action, and concerns have been raised about the government’s efforts to “manage participation” and the president’s commitment to democracy.

U.S.-Russian relations have also been radically altered by the terrorist attacks on New York and the Pentagon in September 2001. The two countries, now allies in the war on terrorism, have found common ground on a number of fronts. Improved relations and greater emphasis on partnership should lead to greater opportunity for U.S.-Russian cooperation in addressing Russia’s development challenges. The November 2001 Bush-Putin Summit in Crawford, Texas, for example, concluded with agreement to support dialogues among U.S. and Russian leaders in

the business, media and banking sectors. USAID is directly supporting these new presidential initiatives.

These changes in the country context, along with a National Security Council-mandated review of U.S. assistance programs in Russia in Spring 2001 that redefined assistance priorities, would alone suggest the need to amend the country strategy. In addition, to improve the management of our programs, we need to more clearly define what we intend to achieve. Doing so will help focus the program, while increasing its impact and improving our ability to monitor performance.

The amendment deepens and clarifies the strategy, taking into account the changes that have taken place in Russia. However, since important questions, such as USAID's long-term role in Russia, remained open after the Assistance Review, we elected to simply amend the current strategy and extend it through 2005. This was discussed with and agreed to by USAID/W and the Assistance Coordinator's office in May 2001.

In preparing this amendment, USAID staff broadly consulted with Russian government representatives, implementing partners, Russian and American subject matter experts, other key stakeholders (particularly in the Non-governmental organizations (NGO) community), donor representatives, other U.S. Government (USG) agencies and USAID/W technical staff. Meetings took place primarily in Moscow, but were informed by frequent field trips and site visits across the country. We also commissioned studies, including five activity evaluations, to enrich our understanding of the country and guide planning in specific program areas. Other studies included analyses of gender, youth, human rights, biodiversity and a preliminary review of conflict prevention issues. A more in-depth analysis of religious and ethnic tolerance in the Volga Federal District will be conducted in early 2002.

Russia Today

Russia has changed significantly since the current strategy was prepared. The Russian economy — then in the midst of a financial crisis — has since grown at an average rate of 6.4 percent, with an estimated a rate of 5.0 percent in 2001. This growth has been fueled by domestic production responding to the ruble's devaluation; high oil prices and a boom in Russia's oil exports; and sound management of the economy. By the end of 2001, the Russian government achieved a budget surplus for the second consecutive year, with foreign exchange reserves reaching record levels. A USAID-funded survey found that per capita income increased by 22 percent between 1998 and 2000, and incomes of the lowest income quintile grew by over 30 percent.¹ Similarly, the standard of living — measured by average purchasing power — has

¹ *Monitoring Economic Conditions in the Russian Federation*. Russian Longitudinal Monitoring Survey. University of North Carolina at Chapel Hill, March 2001.

improved in much of the country since the 1998 financial crisis, but only a few major cities and oil-rich regions have yet achieved their pre-crisis level of prosperity.²

The March 2000 election of Vladimir Putin to the presidency and a change in the composition of the Duma, to a body more willing enabled the new administration to push through major reform legislation critical to Russia's long to endorse presidential initiatives, created a new relationship between the two branches of government. The change in the political landscape, combined with strong economic growth, enabled the new administration to push through major reform legislation critical to Russia's long-term economic future. This includes passage of groundbreaking legislation on personal income tax, corporate profits tax, land ownership, business deregulation, leasing, labor code, housing and communal services, judicial reform, money laundering and child welfare. In spite of this recent progress, the breadth of the government's remaining reform agenda is staggering. Legislation the Duma plans to consider this year includes: military reform, further tax reforms, pension reform, agricultural land reform, implementing legislation to promote real estate market development, civil service reform, natural monopoly restructuring, measures needed for World Trade Organization (WTO) accession, banking reform, education reform and health care financing. This legislative blitz brings to fruition almost a decade of past and ongoing USAID activities to develop and inform many of these reforms.

The picture on the "democracy front" is mixed. The legislative momentum resulted partly from the Putin Administration's steps to consolidate power. Most legislation passed with little public debate or analysis by the Duma, although the government opened discussion of pending legislation to a range of perspectives in carefully managed fora outside the rough and tumble of the political sphere. President Putin also created seven federal districts and changed the representation in the Federal Council (the upper house of the legislature), replacing the regional governors with appointees of the regional administrations. These actions, taken ostensibly to establish order and combat corruption, have also raised many questions about the Putin Administration's commitment to pluralism and democracy, especially when coupled with the government's actions to silence or harass outspoken critics, including NGOs and the independent media. The president has made strengthening the judicial system a priority for his administration, but the government has also used its influence over the courts to battle entrenched interests and to seize control of independent media outlets. By January 2002, the management of one of the two independent national television stations, NTV, had been changed, and the other, TV6, was off the air. The Chechnya conflict drags on with consequent displacement of the civilian population and human rights violations. The conflict has also contributed to racial and ethnic tension and violence.

While there is increased centralization, there has also been a significant devolution of responsibilities, and some resources, to the regions for providing a broad array of basic social services. Municipal and regional governments, in turn, are increasingly looking to partnerships with business and civil society to deliver these services. The Putin Administration has also tried

² *Monitoring: Incomes and living standards of the Population*. Russian Living Standards Center, Ministry of Labor and Social Development of Russian Federation, Moscow 2000.

to encourage greater dialogue between civil society and the government (as demonstrated by the Civic Forum in November 2001) and between entrepreneurs and the government in December 2001. Whether the intent is to expand participation and hear external voices or to guide those voices and manage their participation is still unclear.

II. The Amended Strategy

USAID/Russia's goal is to work in partnership with Russians to build a market-oriented and socially responsible democracy through the adoption and use of *democratic norms, free-market mechanisms* and *modern approaches to public health and child welfare*. While USAID works at many levels of government and with many sectors of society, our ultimate customers and beneficiaries are the Russian people, with particular attention to the needs of women and youth.

We will strive to reach this goal through achievement of nine mutually reinforcing strategic objectives. Another objective, related to local governance, is new, reflecting the recognition that the prior social sector reform objective had evolved into two distinct program areas: one focused on improving health and health care, and the other on building the capacity and improving the responsiveness of local governments. With this amendment, we are broadening and further shifting the local governance program to strengthen democracy at the local level. This change in the local governance program is in keeping with a broader shift in the program over the next several years to increase the emphasis on the democratic transition.

USAID/Russia's New Strategic Objectives

Free-Market Mechanisms

- Small and medium-size enterprise sector strengthened and expanded
- Market-oriented reforms developed and implemented in selected sectors
- Environmental resources managed more effectively to support economic growth
- The U.S.-Russia Investment Fund

Democratic Institutions and Norms

- A more open, participatory society
- Legal systems strengthened
- Local governance made more responsive and accountable

Health and Child Welfare

- Use of improved health and child welfare practices

Program Support, the ninth objective, supports all program areas.

These objectives take into account and contribute to the eight goals for USG assistance in Russia recently promulgated by the Assistance Coordinator for Europe and Eurasia, and fully support the Assistance Review's conclusion to focus on entrepreneurs, health and civil society. (See Annex K for the list of assistance goals.) They also contribute to the goals of the Mission Performance Plan, the International Affairs Strategic Plan, USAID's Pillars and USAID/E&E's "sustainable partnership" strategy.

The achievement of these objectives is interdependent. Success in strengthening democratic norms, for example, will depend in part on whether the Russian people see tangible changes in their lives, through improved services, greater income and better health. Likewise, the effective implementation of new economic policies will depend on broad participation and acceptance by all sectors of society. In addition, there are strategic themes that permeate all of the objectives that require a multi-disciplinary approach: U.S.-Russian institutional and community partnerships; attention to gender differences and the needs of youth; combating corruption and conflict prevention.

The objectives themselves are obviously important, but equally important will be how we work to achieve them. To have a lasting impact on Russia's transition, we must respond to initiatives by Russians to lead and implement the transition, amplify the impact of our targeted programs, and maximize our impact in regions outside of Moscow.

As a guiding principle, we will support and encourage the Russian people to participate fully in society and the economy, advocating for their rights and needs while taking active responsibility for their own needs and those of society. The long-term viability and sustainability of our work will depend in large measure on the extent to which we build and strengthen Russian institutions to continue the work and build mutually supportive U.S.-Russian partnerships that continue long after USAID's financial support ends.

We will continue to pursue approaches that amplify impact beyond the immediate achievements of specific activities. For example, our policy reform activities — both the development of legislation and its implementation at national and sub-national levels — can have far-reaching impact with relatively limited resources. We will continue to inform national policy through targeted, pilot activities that introduce on-the-ground models and develop Russian understanding and expertise. Likewise, we will pursue ways to disseminate information on and replicate successes from pilot sites and models. We will also seek to achieve greater impact by improving coordination among our activities, and with those of other USG agencies and donors. This effort will build on the broad array of existing fora, working groups and roundtables that facilitate coordination in all areas in which USAID is active.

USAID will continue to emphasize work in the regions, away from central government and Moscow. This keeps with conclusions of the Assistance Review as well as continuing congressionally imposed limitations on work with the Russian government. Nonetheless, as the Assistance Review also concluded, the Putin Administration's strong commitment to reform does present important opportunities. Thus, USAID will continue to provide assistance to the

Russian government, when requested and on a case-by-case basis, on policy reforms and strengthening specific institutions critical to achievement of our objectives.

A Geographic Focus

It is not sufficient, however, to say that we will work “in the regions.” Our resources are limited relative to Russia’s vast size and population, and the scope of its problems. Furthermore, successes can be more easily replicated and greater impact assured if the program is focused geographically. U.S. foreign policy priorities, the willingness of local leaders to champion progressive policies, population size, and opportunities to replicate and deepen success from existing programs taken together suggest a geographic focus in the following areas:

- **The Russian Far East:** Khabarovskiy, Primorskiy krais and Sakhalinskaya Oblast
- **Siberia:** Kemerovo, Krasnoyarskiy Kray, Irkutskaya, Novosibirskaya and Tomskaya oblasts
- **The Volga Federal District:** Udmurtskaya and Chuvashskaya republics, Republics of Bashkortostan, Mariy-El, Mordoviya, Tatarstan, Komi-Permyatsky Autonomous Okrug, Kirovskaya, Nizhegorodskaya, Orenburgskaya, Penzenskaya, Permskaya, Samarskaya, Saratovskaya and Ul'yanovskaya oblasts
- **Southern Russia:** Krasnodarskiy Kray, Rostovskaya and Volgogradskaya oblasts

USAID will increasingly concentrate its programs in these areas. However, since each of these areas has different needs, resources and capacity for change, the mix of activities and approach will vary. Not all programs will be needed in every region, and programs will be tailored to the specific characteristics of the regions. There will also be technical exceptions. For example, health activities must be located where the disease burden is worst or where the demonstration effect from successful programs will be greatest. Other activities must be located in Moscow and St. Petersburg where key Russian government and non-government institutions that are instrumental to achieving impact at the national level are based. There are also some activities, such as human rights monitoring or the strengthening of independent media outlets, that should have a national scope to be effective.

Some of the regions of northwestern Russia also meet the selection criteria mentioned above. However, this is a relatively prosperous part of the country, especially Novgorod and St. Petersburg, and other donors, the Nordic countries in particular, have already concentrated their programs there. Therefore, the northwest will not be a focus for USAID’s programs, but we will continue to support targeted activities that contribute to the Northern European Initiative.

In planning and implementing our programs, USAID will continue to coordinate closely with other USG agencies. This will be especially important in the Regional Initiative sites and other regions where USG programs are concentrated. We will also actively participate in and support inter-agency efforts to enhance the effectiveness of the Regional Initiative program. By building on and replicating USG achievements in Novgorod and Samara, the two most successful

Regional Initiative sites, the Embassy can enhance inter-agency coordination and amplify the impact of our individual agency programs.

What will be achieved by 2005?

This amended strategy depends on minimum annual program resource levels of \$65 million (excluding support for the Investment Fund and the Eurasia Foundation). Even at the \$65 million level, difficult choices have had to be made and targets have had to be scaled back in priority program areas. Lower levels would require significant trade-offs.

Although the economy is growing at a respectable rate, another major financial crisis or a severe decline in oil revenues, for example, could undermine progress in Russia's transition in all sectors. Moreover, the upcoming parliamentary elections in 2003 and presidential elections in 2004, as well as local elections over the next several years, could alter USAID's strategy.

With those caveats, we anticipate that by 2005, Russia will have made major strides in its transition. While the transition is a long-term process, Russians and Russian institutions will be better equipped to continue the process on their own. There will be some areas in which continued USAID support will still be necessary, but in other areas, USAID will be able to phase out or adjust its role. Increasingly USAID will be looking to U.S.-Russian partnerships and public-private partnerships, with possible support from the Global Development Alliance or the Development Credit Authority, to sustain the transition.

By 2005, we anticipate that many of the economic policies necessary for market-oriented growth will have been developed. However, additional policy development and implementation will still be required in certain critical areas. Russia will have acceded to the WTO, and thereby will have become more integrated into the world economy. The small and medium-size business sector will be much stronger and more vibrant, with a substantial increase in its contribution to economic growth and employment. With these achievements, we will continue to shift resources from economic programs to efforts supporting of the democratic transition. Within the economic programs, greater attention will need to be given to Siberia and the Far East, where progress on implementing sound economic management practices and in developing the medium-size enterprise sector will be slower.

New mechanisms will have been introduced to give citizens a voice in resource and policy decisions. Civil society organizations, especially those west of the Urals, will be stronger, more sustainable and more capable of organizing and representing citizen groups. Successful models of local government administration — from budget systems, to competitive procurement processes, to targeting of social services — will have been firmly established and replicated in most of USAID's target regions. Therefore, the local governance program will have shifted to a more political focus, e.g., in supporting participatory government and building partnerships among public, private and non-profit sectors to address local issues.

While much will have been achieved by 2005, much will remain to be done. Strengthening of independent sources of information, including media, will still be a priority and civil society development in the Far East will lag behind western Russia, while work may just be beginning in the northern Caucasus. In addition, creating a democratic culture and strengthening democratic norms in society will require decades; volunteerism, charitable giving, civic activism and understanding of basic civil liberties are still at a nascent stage of development.

By 2005, judicial reform should have progressed with stronger judicial institutions, such as the relatively new Judicial Department and the Judicial Academy. The trend away from the Soviet-style inquisitorial legal system to a more adversarial system will continue, requiring investments for better skilled advocates.

The Ministry of Health will have embraced key international protocols in public health to bring health standards up to par with those of Western Europe. Full implementation of those protocols will not be complete. There will be increased reliance on cost-effective, high-quality primary health care services, and internationally recognized approaches to tuberculosis treatment and HIV/AIDS prevention will be firmly established. Reform of the child welfare sector based on models introduced by USAID will have moved forward. Finally, the role of NGOs will be firmly established in the delivery of crucial social services, including those related to HIV/AIDS prevention, health promotion and child welfare. But, “Healthy Russia” will still be a long-term dream, not achieved in this first decade of the 21st century.

In the sections that follow, we discuss these three general areas of technical cooperation — Free-Market Mechanisms, Democratic Institutions and Norms, and Health and Child Welfare — and the amended strategic objectives.

III. Strengthened Free-Market Mechanisms

The evidence suggests that new enterprises must reach a threshold of around 40 percent in their contribution to employment before they can become an engine of growth. In Russia and Ukraine, where the contribution of the new sector to employment is well below the threshold, a large proportion of the labor force remains mired in old, unrestructured enterprises not generating increases in productivity. The new sector has not emerged as a source of growth.

— “Transition: The First Ten Years – Analysis and Lessons for Eastern Europe and the Former Soviet Union”, The World Bank, January 2002

While new enterprises (principally small businesses) are not yet the engine of growth in Russia, prospects for developing a prosperous free-market economy have never been better. The Putin Administration and the Duma are fully committed to economic reform, as demonstrated by the recent passage of long-awaited economic reform measures. President Putin has made small business a key objective of his economic agenda. The government is moving ahead on accession to the World Trade Organization (WTO).

Russia’s overall economic situation is strong. A 50 percent devaluation of the ruble in late 1998 boosted competitiveness of domestically produced goods and spurred domestic production in 1999. High world oil prices in 2000 supported energy exports and stimulated investment, while in 2001, Russian domestic demand continued to drive economic growth. The recent return of capital from abroad and the increasing willingness of Russians to invest have boosted growth and underscored the emerging investment opportunities in post-crisis Russia.

Meanwhile, recent policy reforms, once fully implemented, will have a salutary effect on Russian firms, particularly small and medium-size businesses (SMEs). New laws have begun to reduce administrative barriers, legitimized the sale of urban land and liberalized leasing. A tougher and smarter group of entrepreneurs has emerged. Normally 40 years old or younger, these new entrepreneurs lead SMEs that produce 25 percent of the gross regional products of Moscow and St. Petersburg. Their overall contribution to the economy has increased from six percent of Gross Domestic Product several years ago to 10 percent today.

Despite this brightening economic scenario, Russia is also a land of missed opportunities. A recent World Bank report concludes that if Russia had behaved more like the former command economies of Central Europe, and encouraged SMEs in the early years of reform, its economy would be much bigger and stronger than it is now and most of its people would not still be poor. Although some constraints to economic growth are gone, other significant ones persist. It is unclear whether the government has the political will to implement banking sector reform. Meanwhile, sixty percent of businesses — primarily SMEs — do not have access to bank financing. The continuing presence of steep administrative barriers imposes tremendous costs on

businesses, particularly small ones. Insufficient market information and a dearth of qualified managers also impede small business development.

Economic policies often focus on immediate economic benefits at the expense of natural resource exhaustion and environmental degradation, thus sacrificing long-term sustainable development to short-term profit streams. Implementation of key environmental policy reforms is proceeding more slowly than expected, but Russian businesses are beginning to understand how the economy and environment relate to one another. Russia's entrance into the WTO will require that exporting companies comply with international environmental standards. Businesses are also realizing that energy efficiency and pollution prevention translate into increased profitability. In the Far East and Siberia, the forests provide the greatest number of jobs, and provide the most significant opportunities for entrepreneurship in businesses in secondary wood processing, non-timber forest products and ecotourism. Communities and companies are also realizing that forests damaged or destroyed by fire or pests also destroy business potential and economic growth.

USAID's Achievements

USAID has contributed significantly to a policy environment more conducive to investment and the development of economic institutions essential for a market economy. USAID-supported think tanks provided essential analysis and drafting over several years that led to passage of important legislation on taxes, land ownership, and deregulation. The Duma passed five major tax reform measures which reduced corporate and personal income tax rates, instituted a flat personal income tax, led to an increase of personal income tax revenues by 50 percent in 2001 over 2000. The land code passed in 2001 provides, for the first time, a national basis for sale and purchase of non-agricultural land, thereby removing a major constraint to domestic and foreign investment. In July 2001, the Duma enacted a law substantially reducing administrative and regulatory barriers to the growth of small business.

USAID has been a leader in creating a "non-bank" credit model that is being replicated by Russian microfinance institutions and agricultural credit cooperatives. These non-bank financial institutions are joining together in a network to serve SMEs and smaller businesses. With more than 31,000 loans averaging \$1,000, these non-bank credit institutions have allowed new entrepreneurs to emerge. Using business planning assistance from networks of USAID-funded business support institutions, many have graduated to larger loans from banks, the U.S.-Russia Investment Fund or the European Bank for Reconstruction and Development. Over the same period, the investment fund, primarily financed by USAID, created innovative services to meet pressing Russian needs in mortgage lending, leasing services and equity financing.

Since 1999, think tanks have developed into a network of independent Russian institutions focused on economic policy and domestic issues. Their policy and legislative analysis is playing a significant role in shaping economic reform legislation and influencing the national policy debate across the board. In addition to major tax and land legislation mentioned above, another

USAID grantee performed the essential actuarial analysis for legislation that is moving pensions from a “pay-as-you-go” system under which tax revenues are being used to cover the costs of payments to current pensioners. The preferred system would enable workers to invest a portion of their salaries in the capital market towards meeting their future pension needs.

In environmental management, our activities have set the stage for major advances in improved environmental practices by businesses and forest management that will themselves lead to sustained and rapid economic growth throughout Russia. We are already helping more than 100 major businesses to meet WTO environmental standards. Our assistance to improve forest management has resulted in reforestation exceeding acreage of timber cut in Khabarovskiy Kray, one of the major forest regions; has strengthened capacity to fight forest fires in two major forest regions; and is widening investment opportunities in secondary wood processing, non-timber forest products and ecotourism.

Remaining Challenges

The progress above is substantial, but critical challenges remain. The SME sector requires increased attention to set Russia firmly on a sustainable growth path. Pension reform, administrative reform, fiscal relations, corporate governance, WTO accession and banking reform remain key. Many of these areas directly affect small businesses and their employees. To fully establish the required free-market mechanisms, the recent tax, deregulation and land legislation must be fully implemented, especially in the regions. This requires oversight, enforcement, clarification of amendments and harmonization of regional and national legislation. Also, the banking system remains a constraint to growth, and banks need help if they are to play their essential intermediation role.

A strong market economy will also require continued deregulation, legislation and other actions to join the WTO, as well as increased transparency and improved corporate governance among Russian businesses. Likewise, continued intergovernmental fiscal reform must further reduce disparities in budget resources among federal, regional and local governments. Financing will remain a constraint, and small businesses will continue to need non-bank financing options, such as leasing and venture capital. Finally, school curricula and supplemental training programs in economics and business need to expand to prepare a much larger proportion of youth for careers in business.

Russian business compliance with international environmental standards must increase for business to compete in global markets. Businesses can substantially increase profitability by improving energy efficiency and reducing pollution. Because Russia’s natural resource base is a determinant of Russia’s economic future, forest management systems and practices in the Far East and Siberia must be strengthened to preserve these preeminent resources for sustainable use and long-term economic growth.

USAID's initiatives in economic policy reform, sustainable business development and environmental management are important in themselves and also key to all other program objectives. The country's democratic future and the long-term health of its people depend upon a strong economy.

Strategic Objective: Market-Oriented Reforms Developed and Implemented in Selected Sectors

Continued attention to promoting policy reforms and their implementation is crucial to realizing Russia's economic potential. While the raft of economic legislation enacted in the past two years is impressive, there are still more areas where reform legislation is required. Greater emphasis must also be given to implementation of the new policies, which in many cases will be the hardest part of the reform process. While expeditious passage of new legislation is possible under a strong presidency, full implementation of those policies, especially those that require action by an entrenched bureaucracy or by the governments of Russia's 89 regions, will depend on broad understanding and acceptance by all sectors of society.

Achievement of this objective relies on three key principles: careful selection of activities that respond directly to Russian needs; close cooperation with Russian non-governmental and public sector institutions; and productive cooperation with other donors. Applying these principles, the economic policy program will promote reform of the financial sector, the trade and business climate and fiscal policy. In addition, the program will strengthen independent think tanks to expand Russian capacity in economic policy development and implementation.

By the end of the strategy period, progress under this strategic objective will be significant. Adoption and implementation of further tax reforms will allow tax revenues to double by 2005. Russia will also be a full member of the WTO by 2005. Further deregulation of the SME sector, combined with improvements in corporate governance practices, will greatly boost trade and investment levels. Think tanks will contribute to policy formulation and progress in all of these areas. The think tanks themselves will have greater capacity to respond to the needs of policymakers, at both the federal and regional level, increasingly turn to think tanks for assistance. Implementation of recently passed tax, deregulation, and land legislation will be substantially complete. Banking reform is the one area where progress will be less dramatic, but a core group of commercial banks will have emerged that is actively engaged in commercial lending, particularly to the SME sector.

USAID's economic policy objective will be focused in four areas:

1. Independent Russian Economic Think Tanks Strengthened

In developed free-market economies, independent think tanks play a critical role in shaping economic policy and legislation by providing policymakers with high quality analysis on a broad

range of economic initiatives. In Russia, independent economic think tanks have started to spring up. These relatively new policy institutes are already developing economic reform legislation and influencing the policy debate. Strengthening these organizations, so that they have the capacity to continue developing sound free-market economic policies and advocate for reform after USAID assistance ends, is central to ensuring that market reforms are developed and implemented.

USAID will assist a select group of think tanks in policy analysis and institutional strengthening. Recognizing the powerful role that think tanks can play as civil society advocates for change, we will also increase policy dissemination and advocacy training for think tanks and will address the needs of think tanks located outside of St. Petersburg and Moscow. This assistance will be provided primarily through competitive grants, complemented by technical assistance from top international economists and partnerships linking Russian, East European and U.S. think tanks.

By 2005, we expect significant progress in the institutional development of Russian think tanks and use of their analyses by policymakers. At least half of the USAID-supported think tanks will have become self-sustainable. An independent network of think tanks from at least 30 different regions, will be functioning, enabling economic experts to exchange experience in policy reform at regional and federal levels. While it is difficult to predict the specific legislation that think tanks will tackle, we expect major contributions in deregulation, tax and pension reforms and the Customs Code.

2. Resources to Russian Businesses and Entrepreneurs Efficiently Channeled by Banking Sector

Long-term economic growth is untenable without a stable and efficient banking system. In a properly functioning market economy, a sound banking system enjoys the confidence of depositors and spurs economic growth by mobilizing savings and efficiently channeling resources to productive sectors of the economy. Unfortunately, the Russian banking system fails to play this critical role of financial intermediation. In fact, bank lending currently finances only three percent of Russian investment compared to more than 20 percent in developing countries.

To address this situation, we will provide assistance in two areas: commercial bank operations and banking sector policy. First, at the commercial bank level, we will provide a select group of Russian banks with targeted technical assistance to strengthen their ability to mobilize savings and allocate resources to productive sectors. Training will be provided in areas such as risk management, small business lending, mortgage lending, international accounting standards, and development of new banking products and services. As part of this targeted commercial bank assistance, we will also expand our Loan Portfolio Guarantee program to seven additional Russian banks to guarantee their SME loan portfolios. The combination of targeted training and loan portfolio guarantees will allow USAID-supported commercial banks to increase long-term deposits and expand long-term lending to Russian SMEs.

At the policy level, our assistance to the Central Bank of Russia and other key government institutions will be scaled down because prospects for meaningful banking reform continue to be unclear. However, we will remain engaged in banking sector reform through participation in the

World Bank/Central Bank-led working group on banking reform. We will seek opportunities to shape the debate on reform and advocate for market-oriented banking reforms.

Banking sector reform will remain Russia's greatest economic challenge in 2005. However, our loan guarantee program will have resulted in at least a three-fold increase in loans to the small business sector from our partner banks and we expect incremental changes in the Central Bank's regulations and banking laws.

3. Business Environment for Trade and Investment Improved

Improving the business environment for trade and investment is critical if businesses and entrepreneurs are to attract the capital needed to sustain economic growth. Recently, with the assistance of USAID and other donors, the Russian government took major proactive steps by passing legislation to reduce administrative barriers for businesses; accelerating Russia's WTO accession efforts; and elevating the corporate governance practices of Russian businesses. These three key reform areas will greatly enhance trade and investment opportunities for Russian enterprises.

We will continue to support think tanks that develop legislation to reduce the number of administrative barriers faced by SMEs. A USAID-funded think tank is reforming the Customs Code to bring it into line with WTO requirements. In addition, several USAID-funded think tanks will provide Russian policymakers and officials with formal studies analyzing the impact of WTO accession on Russian industry. Because policymakers have lamented the absence of such studies, supporting this analysis on a sector-by-sector basis will inform the WTO debate and further accelerate Russia's entry into the WTO. USAID's assistance will be closely coordinated with the U.S. Trade Representative, the Eurasia Foundation and other donors who are assisting Russia's entry into the WTO.

USAID will also support NGO initiatives to improve transparency and corporate governance practices among Russian companies and to protect the rights of minority shareholders. Potential activities include bolstering legal representation for aggrieved shareholders; promoting greater representation for minority shareholders on the boards of Russian corporations; and funding a local Russian rating agency to include corporate governance as a principal factor in rating corporate bonds. In addition, we are supporting efforts of the Organization for Economic Cooperation and Development to develop a Corporate Governance White Paper for Russia.

By 2005, work in this area will be nearly complete, as the business climate in Russia will be substantially improved. Ten new deregulation measures will be passed and implemented in the regions, creating greater opportunities for small business. Russia will be a WTO member and more integrated into the world economy. Up to 45 Russian joint stock companies will be in compliance with core requirements of the Corporate Governance Code in vital areas such as financial disclosure and board restructuring. However, corporate governance will not be universal in only four years and NGO advocacy and institutional strengthening will need to continue.

4. Improved Fiscal Policies Developed and Adopted

Fiscal policies that allow the Russian government to meet the basic social needs of all its citizens without unduly burdening businesses and stifling entrepreneurs are vital for Russia's long-term social and economic stability. Such fiscal reform requires the development of a transparent and efficient tax system that is able to collect and equitably allocate sufficient amounts of revenues across all levels of government. In addition, such fiscal reform requires radical overhaul of Russia's currently unsustainable "pay-as-you-go" pension system. This overhaul will safeguard benefits for future retirees and ensure the long-term fiscal stability of the pension system and budget in general.

We will build on the considerable progress that has been made in the areas of tax policy and intergovernmental fiscal reform during the past three years. Tax policy assistance will emphasize further improvements in value-added taxes and amendments to the recently passed corporate profits tax. We will also continue to support intergovernmental fiscal reform efforts to establish clear expenditure responsibilities among all levels of government, promote greater revenue autonomy for local and regional governments, minimize unfunded mandates, and increase transparency in the transfer of budget revenues to local governments.

USAID will continue funding actuarial analysis and modeling required for pension reform legislation. In addition, on a demand-driven basis, we will fund short-term visits by Western experts in pension administration to advise counterparts within the Ministry of Economic Development and Trade and the Russian Pension Fund. These efforts will be coordinated through a World Bank-led working group on pension reform.

Substantial progress will have been achieved by 2005. The tax system will be further liberalized and a fully funded pension system should be functioning. Approximately 40 regions will distribute budgetary funds to municipalities by transparent revenue formula, and the number of unfunded federal mandates will have decreased. Disparities in budget revenues between federal, regional and local governments, however, will persist.

Strategic Objective: Small and Medium-size Enterprise Sector Strengthened and Expanded

Growth of the small and medium-size enterprise (SME) sector is essential to Russia's long-term economic growth, its full transition to a market-based economy and the development of a Russian middle class. Recognizing the important role of SMEs to Russia's economic and democratic transition, we are narrowing our earlier "private enterprises" objective to target SME development. This is in keeping with the Assistance Review's focus on entrepreneurs and recommended shift from micro to SME financing.

Under this strategic objective, we will support the growth of the SME sector by helping to improve the legal and regulatory environment for SMEs and increase their access to financial

services and high-quality management consulting and business training. We will supplement these efforts with expanded attention to the needs of Russia's future entrepreneurs — today's primary and secondary school students — helping them to better understand the modern market economy and to successfully compete in the marketplace.

By 2005, the SME sector will have grown significantly and will have achieved greater visibility in the political and policy arenas. The policy environment, in particular, will be more conducive to enterprise growth, but probably not yet perfect. Access to credit will still be a binding constraint for most small and medium-size enterprises, especially if banking sector reform continues to lag. However, non-bank financial institutions in key regions will have established themselves as a viable alternative and will be meeting a larger share of SME financing needs. Business support institutions will be operating sustainably and providing essential advisory and training services. In some sectors, however, there may be a need for additional specialized services. Overall, progress will be greatest in Western Russia, while more attention will need to be given to Siberia and the Far East.

USAID's business development program will be focused in four areas:

1. Policy Environment for Small and Medium Enterprises Strengthened

Despite important breakthroughs on reducing administrative barriers to small and medium-size businesses and supportive pronouncements by the president, the policy and regulatory environment continues to impede Russian SME development. Anecdotes abound of enterprises that failed under the weight of inspections — often requiring fines or the payment of bribes — and excessive taxation. To maintain the momentum for reform, businesses associations need to be more engaged in advocating for their members' needs.

Our activities, complementing those of the Eurasia Foundation and other donors, will strengthen local business associations in selected regions to advocate for policy and regulatory changes at the local, regional and federal levels. We will help these associations expand their membership, sharpen their policy advocacy skills and build networks through technical assistance, training and direct grants. These associations will not only become advocates for business needs, but will also become an important voice in civil society. Participating business associations will benefit from research conducted by USAID-supported economic think tanks, as well as from USAID's programs to open up local governments to citizen participation, and other civil society advocacy activities.

Support for the development of business associations as advocates for business will be complemented by selective and targeted assistance to inform policy development at the national level through the bilateral Small Business Working Group.

By 2005, the participating business associations and those supported by the Eurasia Foundation should be fully capable of advocating on their own at the national, regional and local levels.

Nonetheless, work in the area of business advocacy will have just begun. Many more associations, advocating on behalf of their members, will be needed. National and sub-national networks of business associations will also need to be strengthened to create a more powerful, united voice on key policy issues.

2. Access To Finance for Small And Medium Enterprises Increased

As noted previously, lack of access to financial services is consistently identified as one of the most serious obstacles to SME formation and growth. While USAID will be helping to nudge the banking sector into expanded SME lending, the financing needs of SMEs will be far from met. Nor will the traditional use of families and friends for start-up capital be sufficient, the demand for capital is too great. Thus, the need for alternative financing sources or mechanisms is critical to the growth of the SME sector.

Our program focuses on identifying and supporting the development of non-bank financial services, especially through non-bank financial institutions. We are using the bilateral Microfinance Policy Working Group to assist legislators and regulators to improve the environment for non-bank financial institutions. These efforts complement ongoing, targeted assistance under the economic policy program for banking reform.

We will also strengthen and expand networks of non-bank financial institutions to serve the needs of SMEs. Our capital contributions to microfinance institutions will be phased out over the next two years as the institutions we have been supporting become sustainable. Meanwhile, the Russian Microfinance Center, a new national organization founded under a USAID activity, will accelerate the growth and maturation of Russian non-bank financial institutions nationwide. As the network of microfinance institutions grows, we will help them gain access to credit through commercial sources.

The program will continue to support the development of other non-bank financing options such as leasing, credit cooperatives and access to equity through venture capital firms. Selected credit cooperatives will be strengthened in areas such as financial certification, audit system development, and investment and financial risk management. These cooperatives will also begin the process of obtaining financing for their continued expansion from commercial sources, and possibly Development Credit Authority guarantees.

These non-bank SME financing efforts complement USAID activities in the banking sector, as well as those by the U.S.-Russia Investment Fund and the European Bank for Reconstruction and Development, both of which receive U.S. Government funding. The investment fund has been a leader in Russia on financing leases for capital equipment needed by SMEs.

By 2005, a nationwide network of sustainable non-bank financial institutions will be serving small businesses and be capable of obtaining financing through the savings of members or from commercial sources. These institutions will make a valuable contribution, but as long as little

progress is made on banking reform, especially as it relates to SME credit, there will be a need for expanded non-bank financing mechanisms. The focus of our programs will shift during the strategy period away from microfinance, especially the provision of lending capital, to under-developed services, such as venture capital for high-technology firms and leasing.

3. High-Quality Business Services to SMEs Strengthened and Expanded

Entrepreneurship is still new in Russia, and small and medium-size businesses need specialized technical assistance. Advice in areas such as marketing, financing options, quality control, bookkeeping, strategic planning and internal management is often critical to a firm's ability to adapt to the market and to grow. To ensure sustainability, organizations that provide these services must operate on a for-profit basis, charging market rates for their services.

USAID has historically supported the growth of about 120 business support institutions (BSIs) to provide advisory and training services and has financed U.S. business volunteers to work with individual firms. In the past year, these activities were consolidated to provide for long-term sustainability. During the strategy period, we will strengthen and expand the existing networks of Russian business support institutions by making them more commercially viable. This will include industry sector training for BSIs and SMEs together; strengthening of Russian consulting skills; and improvements in the ability of BSIs to link SMEs to financial institutions. We will also strengthen our coordination with the Russian Agency for Small and Medium Business Support that, with financing from the European Union, is supporting the work of 50 SME Development Agencies across the country.

We will also continue to support Russia's adoption of international accounting standards, thereby facilitating international investment in Russian SMEs. The Ministry of Finance has mandated that all Russian businesses must use these standards by 2010. To accelerate that conversion process, we will work with Russian universities to incorporate international accounting standards into the standard business education curriculum and with professional accounting associations to retrain their members through continuing education.

By 2005, the BSIs that we are working with should be sustainable. That said, some rapidly growing SME sectors, such as the high-technology sector, will need more specialized services, particularly in marketing. Russian businesses more generally will also need access to advisory services to stay on top of the latest technological changes in the world market. The BSIs themselves will also need to adapt to the changing needs of their clients and the market, and there may be a need to develop alternative mechanisms to meet more specialized needs.

4. Young Entrepreneurs Better Informed and Prepared

All the work on policy reform, SME financing and SME business services will produce little for Russia's future if new generations of entrepreneurs are not adequately equipped to lead Russia's new market economy. Russia's public schools and the curriculum inherited from the Soviet era

do not adequately prepare Russian youth for the opportunities and challenges of the marketplace. Through activities that prepare Russia's youth to thrive in a market economy, we can make a major contribution to Russia's long-term economic growth, to the development of a middle class, and to broadening participation in and the spread of benefits from the economic transition.

Through USAID's support to Junior Achievement/Russia, about 6,000 primary and secondary schools now have business training programs reaching approximately 1.8 million students. However, the Junior Achievement program is not built into the curriculum. It is one of many extra-curricular activities that students can choose and attendance is limited by the number of instructors available to teach the course. Thus, there is a need to expand this program to reach more students, schools and towns and to deepen the penetration of the activity in participating schools. We will also support efforts to expand the curriculum to include civics training, thus encouraging students to participate more fully in the life of their communities and society.

While Junior Achievement has been, and will continue to be, the primary mechanism for preparing Russia's future entrepreneurs, we will also explore other options. We need to engage Russian and U.S. corporations, possibly through the Global Development Alliance, to provide financial support, instructors and internship opportunities for young entrepreneur programs. We need to also explore the use of distance learning and Internet technology for expanding the reach of such programs. We may also support the extension of the Junior Achievement program into Russian colleges and universities. In this effort, we are working closely with the Canadian International Development Agency, which also finances Junior Achievement Russia, and U.S. Peace Corps volunteers who serve as Junior Achievement instructors.

By 2005, Junior Achievement/Russia will have expanded to 7,500 schools and increased the number of students participating to a total of 2.5 million. The civics education component will have been successfully incorporated into the program. Our new efforts to engage corporations and introduce new technology to expand the reach of young entrepreneur training will have begun, but will still need time and resources to ensure Russians across the country have the opportunity to participate in such programs.

Strategic Objective: Environmental Resources Managed More Effectively to Support Economic Growth

Effective environmental management is key to Russia's long-term economic growth and to providing immediate opportunities for SMEs. The Russian economy relies heavily on extractive industries and its forest resources. Thus it is important that Russia use environmental resources in a manner that preserves the resource base and minimizes damage to air, water supplies, natural resources and biodiversity.

USAID's environmental activities are working at the local and regional levels to strengthen eco-businesses; improve business practices and the quality of municipal services; improve forest resource management; and stimulate greater citizen participation in environmental management.

Through this program, USAID is also spurring economic growth and Russia's integration into the world economy, improving the health of Russians, strengthening civil society, and addressing transboundary environmental issues such as pest migration and global climate change.

This program has been designed and implemented in close partnership with Russian counterparts, guaranteeing that they truly respond to Russia's needs. The strategic objective was redesigned in early 2000 and refined in response to recommendations from the Assistance Review. At the time of the redesign we met with partners to set priorities and goals. Semi-annual advisory council meetings are convened to review the program's progress. This approach enables Russians themselves to replicate small, low-cost environmental projects in the regions.

Based on its strong track record, the environmental program can continue to capitalize on networks and partnerships developed since 1993 and can be an effective instrument for change in the sector. By 2005 we expect to have made a significant impact on the health of the forests in the Far East and Siberia and to have demonstrated that support to eco-businesses in and around the forests can increase economic growth in these regions. Russia's citizens will have benefited from increased use of environmental health risk assessment methodologies in municipalities, from strengthened civil institutions that advocate for improved environmental quality, and from the use of cleaner operating procedures and technologies by businesses.

But, much will remain undone. Eco-businesses, especially in the Far East and Siberia, will not yet be sustainable. Many Russian businesses will not yet have met international environmental standards and thus will face export restrictions. Also, transboundary and global environmental problems will still be affected by Russia's environmental management.

USAID's environmental management program will be focused in the following five areas:

1. Eco-Businesses in Targeted Sectors Strengthened

Eco-businesses include traditional community-based and comparatively new eco-touristic businesses; both types represent a growing sector of local and regional economies in many parts of Russia. Eco-businesses typically promote tourism around nature reserves, which generates revenue to help nature reserves implement conservation activities and conduct environmental education programs for the citizenry. These businesses provide jobs and income for the local population and promote sustainable natural resource management. This sector lacks strong government support, access to finance and modern equipment, management practices and business associations to support its development in a market economy.

We will strengthen eco-businesses through continued technical assistance to existing and newly created eco-business associations and their members, as well as through replication of best environmental practices. This will also contribute to our broader SME objective. Likewise, activities to support the growth of small and medium-size enterprises — such as credit, business training and advisory services — will further this program's goals.

By 2005 we expect to have healthy associations in nine of the key regions where there is the most opportunity for developing businesses in non-timber forest products, secondary wood processing and eco-tourism. The associations will help businesses strengthen their business planning, marketing, and financial planning expertise. It is also expected that at least one of the associations supporting secondary wood processing will serve as a training and modern technology center to provide services to maintain equipment that will enable companies in the region to become more competitive. The number of businesses having membership in the associations will be an indicator of the health and success of the association.

2. Operating Efficiency of Businesses Adopting Environmentally Friendly Practices Improved

Environmentally sound practices are still not widely used by many Russian businesses. The business sector, which has traditionally been oriented to the domestic market, lacks environmental enforcement and economic incentives for responsible natural resource management. But export-oriented businesses recognize that this inhibits access to international markets, especially those of Western Europe, Japan, and North America. The adoption of environmentally friendly practices saves natural resources, reduces production costs, environmental fees and penalties, improves the company's image and eventually makes it more competitive, both domestically and internationally.

USAID's activities help Russian businesses become more profitable by improving their energy efficiency and reducing pollution from their operations. Our activities support the adoption of Environmental Management System, ISO 14000 standards and are improving environmental practices by a growing number of Russian industries, using Russian-to-Russian partnerships to replicate and disseminate best environmental practices. These activities will also help to improve the small business environment for trade and investment and will contribute to improving the quality of business services.

To the extent that these improved practices reduce emissions of greenhouse gases, they will also contribute to the U.S. presidential initiative to address global change.

By 2005 it is anticipated that we will have helped at least 250 businesses improve practices, and have helped at least 10 companies to the point where they can be certified for ISO14000.

3. Practices That Improve Environmental Quality of Services Adopted by Municipalities

The low environmental quality of services provided by municipalities is worsening public health and the quality of life in many regions of Russia. At least 30 percent of Russia's declining life expectancy rate can be attributed to environmental causes. It is reliably estimated that less than half of Russia's population has access to safe drinking water, and in some regions the concentration of heavy industry combined with the scarcity of pollution control technology makes the air unfit to breathe. Over 40 million Russians live in areas officially designated as environmentally dangerous for human beings.

To address these problems, USAID will assist municipalities in targeted regions in implementing low-cost energy-efficiency programs and in using a health-risk assessment methodology to determine investment priorities and maximize the effectiveness of limited financial resources. As with improved business practices, improved municipal management practices that reduce emissions of greenhouse gases contribute to the global climate change initiative. To the extent feasible, these activities will be coordinated with activities to improve the effectiveness of local governments' resource management and to improve environmental health.

By 2005, grants to more than 30 municipalities in targeted regions will replicate successful projects that have been already implemented in other municipalities through the ROLL and USAID's local governance programs.

4. Forestry Management Practices Strengthened

In many regions of Russia, forestry is a major source of jobs and income for local people. However, forest resources are managed ineffectively, and their overall area and quality are being steadily reduced by unsustainable practices, forest fires caused by humans and defoliation caused by pest outbreaks. These environmental problems pose a serious threat to the environmental quality and the economies of other countries, including the U.S., should they spread across national borders. Strengthened forestry management practices and techniques are critical to sustaining the natural resource base and supporting more rapid development of regional economies, especially in the Far East and Siberia. Furthermore, Russia's forests are a critical carbon sink for absorbing carbon dioxide. By helping to improve the management of this resource, USAID is, again, contributing to the presidential initiative on global climate change. In addressing these important transboundary issues, USAID works closely with the World Bank's Global Environmental Facility, the European Union, the Canadian International Development Agency, Finland, Germany, Japan, the World Wildlife Fund, and the U.S. Forest Service.

Our program strengthens the capability of Russia's Forest Service to manage forest resources. Our activities will continue to focus on fire prevention and reduction of pest outbreaks using methodologies that have proven successful in the U.S. These programs are demand-driven, designed and implemented hand-in-hand with the Russian Forest Service. In addition, USAID has helped establish protected areas and has made significant progress in biodiversity conservation in the Far East in cooperation with Russia's NGOs. An interagency agreement with the U.S. Forest Service enables us to bring in American foresters to transfer the best available technical approaches in a cost-effective manner.

By 2005 we expect to have made a significant impact on the number of forest fires caused by careless human behavior. We project that the percent of fires caused by people will be reduced from 80 percent (2001) to 70 percent in 2005. Likewise, in the area of pest control we anticipate that the number of hectares defoliated by forest pests will decrease significantly

5. Public Participation to Improve Environmental Resources Management Increased

Although environmental NGOs are very active in Russia, the Russian public is still not adequately involved in environmental decision-making and needs to be better informed and more active in advocating for its right to a healthful environment. This is of critical importance for the sustainable management of Russia's environmental resources. Environmental NGOs can lead the way, but without a broad base of support among citizens the environmental movement will be seen as a fringe element and its effectiveness will be muted.

We believe that it is important to continue to support environmental education programs in schools and communities and citizen advocacy programs implemented by NGOs to ensure that the stewardship of the environment continues to be a priority. Russia's vast size and severe environmental problems mean that these activities are highly sought after. While larger actions would be useful, our strategy to focus on smaller, results-oriented activities is more appropriate and sustainable given Russia's difficult economic realities. Broad replication will help create an environment conducive to larger programs at a later stage by other players.

By 2005, we expect to see a significant increase in the number of new educational and advocacy programs (at least 220 and 110, respectively) to raise citizen awareness and participation in managing environmental resources.

Special Objective: Support for the U.S.-Russia Investment Fund

USAID provides investment capital to the U.S.-Russia Investment Fund under the "Special Initiatives" objective. The Fund, managed by Delta Capital, is providing innovative financial services for the Russian market. To that end, the Fund purchased a bank, now Delta Bank, and created an array of Delta-branded products and operating entities providing mortgage lending, leasing services and equity financing. Leasing services, through DeltaLeasing and Delta RFE, are among the Fund's fastest growing products. Delta RFE, the Fund's subsidiary in the Russian Far East, has shifted most of its support for small and medium-size business to leasing, recognizing the demand for such services and the needs of this business sector. The Fund's equity investments have been re-focused towards consumer products and the telecommunications, media and technology sectors because of their profitability and prospects for growth as the Russian economy grows. In the next three years, the Fund will continue to pursue profitable investments and provide services that fill a need in the Russian market, and will seek private capital for long-term sustainability as U.S. Government support ends.

IV. Strengthened Democratic Institutions and Processes

Reaffirming our commitment to advance common values, the United States and Russia will continue to work together to protect and advance human rights, tolerance, religious freedom, free speech and independent media, economic opportunity and the rule of law.

— Joint Statement by Presidents Bush and Putin, Crawford, Texas,
November 13, 2001

Despite this public affirmation by the two presidents, the state of Russia's democratic transition is ambiguous. The Putin Administration's process of consolidating power has included both encouraging and disquieting signs. Even as the president began a dialogue with civil society by convening a Civic Forum in November 2001 that gathered 5,000 citizen groups, administrative controls and pressure from security services were being applied to non-governmental organizations (NGOs) speaking out on issues ranging from human rights to the environment. Some in the NGO community were suspicious of the Civic Forum, seeing it as another step toward "managed democracy," while others recognized the importance of winning a seat at the table.

Even with the challenges and uncertainty of the last several years, Russia's civil society is developing dynamically. In 2000, the nation's 65,000 NGOs provided services to approximately 20 million people, accounted for 15 billion rubles in economic activity, and supported one million jobs nationwide. The rapid growth in the number of NGOs in the 1990s has slowed during the past several years, but many of those organizations that came into being have expanded their operations, and further developed their capacity to both foster and focus citizen participation.

Meanwhile, the free flow of ideas and information appears threatened by government pressure on media outlets and other sources of non-state information. Such pressure forced a change in management at NTV and the removal (at least temporarily) of TV6 from the airwaves, compromising the ability of what were Russia's last national television networks to provide information independent of the state. These changes also have hurt many regional television stations, particularly those that depended on TV6 for programming and other support. Nevertheless, the number of regional non-state media continues to increase, supported by USAID-grantee, Internews.

In the area of judicial reform, positive movement occurred throughout the 1990s, but much remains to be done. The 1996 Constitutional Law on the Judicial System and the 1998 Law on the Judicial Department were critical pieces of legislation and demonstrated the government's commitment to judicial reform. More recently, the Putin Administration has made legal and judicial reform a high priority. Three important laws concerning the judiciary were enacted in late 2001 as part of a presidential initiative in legal and judicial reform. Most important is the

new Criminal Procedure Code, which elevates the status of the judiciary, expands the duties of judges vis-à-vis the procuracy, and mandates jury trials nationwide in serious criminal cases by 2003. Also enacted were major amendments to the law on the status of judges and a law on the Constitutional Court. Meanwhile, the prestige of the legal profession has grown, as measured by the numbers of students wanting to study law and the high salaries paid to some private sector lawyers.

On the human rights front, the picture is mixed and potentially worrisome. Russian and western NGOs have extensively documented human rights problems in Chechnya, and have flagged disturbing developments in broadcast media and religious freedoms. At the same time, there has been some progress in combating corruption. The anti-corruption work of Russia-based NGOs has become more prominent, and more government figures have taken stronger stands against corruption in government.

For Russia's local governments, the transition period has been one of vast increases in responsibility. The federal government has decentralized a number of functions to the local level, including operation of the social safety net, many aspects of housing policy, and numerous other aspects of managing the "urban economy." As a result, local governments have had to work at shifting the way they discharge their functions. A centralized system is now being replaced by a more pluralistic regime in which legislative assemblies, private businesses, and citizens groups have evident influence. Cities are erecting new institutions to facilitate the market-based operation of their economies and to better administer and deliver services to their communities.

From Fall 1998 through 2000, progress in reforming local governance institutions and restructuring urban economies was both fitful within cities and uneven across locations. Although some have made impressive progress with reforms, there was no city in Russia that one could say was "nearly finished" with this process. Local governments are in many cases still deprived of real autonomy, while federal and regional governments too often attempt to preempt many important local decisions. However, the re-energized policy environment at the Russia federal level and the continued catastrophic physical deterioration of most communities, have created huge demand for assistance together with national- and local-level reforms, leading to important new opportunities for targeted assistance.

USAID's Achievements

USAID has played a major role in supporting the development of civil society and helping to bridge the gap between civil society and government. New NGOs are actively participating in the political process, including the growth of the League of Women Voters from six to 14 chapters and the expansion of the VOICE Coalition into 15 regions over the past year, stimulating voter turnout and creating a new Russian capacity to monitor elections. Fifty-six USAID-supported NGO Resources Centers are providing approximately 43,000 consultations to NGOs per year, and, in 2001, the program engaged 21,085 young people in Resource Center

network's activities. With advocacy training from the Centers, NGOs in the regions are increasingly interacting with regional and municipal governments to influence policy.

Despite the recent challenges to non-state media, USAID's activities have made significant progress in strengthening regional media. With support from USAID, Internews has changed the face of regional broadcast journalism, by bringing together representatives of regional television stations that previously worked in isolation and motivating young journalists to think more seriously about their role as builders of civil society. These efforts were recognized by the media when Internews received a prestigious, professional television award, the TEFI, for the best television-related event of the year.

USAID has supported the development of the Moscow Helsinki Group's network of human rights NGOs in each of Russia's 89 regions, which for three years have monitored and reported on the human rights situation locally and nationwide, a unique source of information of this type. This network has evolved and developed the capability to bring broad public attention to specific human rights issues as they arise. Other USAID-funded human rights programs offered programmatic support and made facilities available to NGOs working on issues such as the rights of minorities, refugees, psychiatric patients, and other groups.

USAID has also promoted close working ties between the judiciaries of the U.S. and Russia. Constructive partnerships have developed between the Administrative Office of the U.S. Courts and the Judicial Department of the Supreme Court of the Russian Federation and between the Judicial Conference of the U.S. and the Russian Council of Judges. Meanwhile, with USAID support, U.S. legal educators have popularised the clinical legal education model in Russia. Of the dozens of clinics that have participated in this program, four clinics now serve as models for teaching clinical education. USAID also supported public interest law clinics that over the past 18 months represented the interests of 7,000 workers and 220 trade unions in 2,720 hearings, resulting in \$222,700 in awards.

Since 1998, we have continued to support the creation of an economic and social policy environment that facilitates the work of local governments in Russia. USAID's partners have played an instrumental role in the development of key federal policies and legislation, including the Law on Mortgage, the Russian Federation Urban Planning Codex, the Russian Federation Land Code, the Federal Program for Housing Reform 2002-2010, and the Russian Federation Mid-Term Socio-economic Development (Gref) Plan. At the local level, cities are moving to increase cost-recovery in their housing and communal services. USAID-assisted Cherepovets is the first Russian city to achieve its goal of full cost-recovery. Cities are also improving the delivery and targeting of their social resources. Four USAID pilot cities have recently adopted means-tested targeting of social benefits and competitive procurement among NGOs to deliver services to the community.

Challenges Ahead

Civil society development in Russia is a long-term process, and the vitality of NGOs and non-state media will continue to be important contributors to Russia's emerging civil society. Perhaps the greatest challenge for the non-state media is to become financially viable as business entities. This will not make them immune to government pressure, but will strengthen their independence and help ward off undue influence from government and creditors.

The NGO sector still needs to be strengthened, particularly in the Far East where NGO growth is less robust, with attention to management, institution building and financing. Increasingly, however, the focus needs to shift to building civil society's advocacy capacity, providing citizens with a more effective voice for their concerns and priorities and presenting their case to government. Likewise, local governments need to become more open to greater NGO and citizen participation in decision-making. Models have been developed, with USAID support, for citizen participation in budget formulation and public-private partnerships in strategic planning and anti-corruption. These models, as well as the numerous other models of effective local government administration developed under USAID's programs, need to be widely replicated.

The challenges in the area of the rule of law include adjustments to the new legal system, a continuing lack of transparency, persistent corruption, and lack of public understanding and trust. Implementation of the most important legislative advances in the legal system — such as the change from an inquisitorial to an adversarial system under the new Criminal Procedures Code — will require new written guidelines and substantial training for lawyers, judges and other legal personnel. The public lacks understanding and trust in the judicial system and is not well informed about recent changes. Corruption is pervasive in both economic and political institutions, including the judiciary. The code of ethics of Russian judges is only a few years old with no history of consistent application. Finally, although USAID-assisted clinical law education programs are helping, the public does not have sufficient access to lawyers trained in the new adversarial system to help them seek redress or enforce their rights.

The large and effective NGO sector, effective and open local governments, and a well-established rule of law are all vital pieces of a democracy. The larger challenge, however, is the development of a democratic culture in Russia. Russian citizens need greater awareness that individual participation is a right and a responsibility in a democratic society. Active participation in a society that allows for a lively exchange of diverse ideas not only enriches people's lives, but also supports the development of democratic institutions in Russia and facilitates economic and social changes. Instilling these concepts in Russia's youth, among whom apathy is particularly strong, is likely the greatest challenge to the long-term democratic transition.

In efforts to develop an active citizenry and engage disenfranchised groups in Russia, it is important to take into account the way different gender, age, ethnic and religious considerations affect civil society development. For example, women have long been huge contributors at the local level through self-help organizations founded by women to solve a problem at home or in

their community. Indeed, women are such a strong presence in the NGO world that efforts are needed to see that men, particularly young men, are also engaged in positive ways.

Strategic Objective: A More Open, Participatory Society

An open and participatory society is the hallmark of a democracy, and vital to guiding Russia's long-term development. It is as central to shaping Russia's economic and social sectors as it is to the political sphere. Consequently, our efforts to support the development of civil society and the NGO sector permeate all program areas. The importance of civil society was also recognized in the Assistance Review, which made the development of civil society in Russia one of the most important objectives for U.S. assistance.

This strategic objective reflects changes from the previous civil society objective in its greater emphasis on: broadening the availability of independent information from all sources, rather than solely from print media and television; citizen participation and the strengthening of democratic values and practices; and advocacy as a key component of "representation" and the development of civil society institutions. Furthermore, "participation" as used here includes the development of *social capital* described as:

*those tangible substances (that) count most in the daily lives of people: namely good will, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit.*³

By 2005, we expect that Russia will have become a more open, participatory society. Civil society institutions in western Russia, particularly the NGO Resource Centers west of the Urals, will be models for similar, nascent organizations in the Far East. If government interference does not increase, regional independent media will continue to grow. Work will have begun on developing radio, Internet and the development of other independent sources of information. Political parties will have gained from the experience of competing in two more national elections along with numerous regional elections. NGO advocacy groups, such as VOICE, should be active nationwide. The process of instilling democratic norms in society will still be nascent.

USAID's efforts to support a more open and participatory civil society will focus on three program areas:

³ (L.J. Hanifan, "The Rural School Community Center," *Annals of the American Academy of Political and Social Science* 67 (1916), p. 130 as cited in Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community*, p. 19.)

1. Sources of Non-State Information that are Accessible to the Public Increased and Improved

The free and independent exchange of ideas is an essential element of a democratic community. The most significant guarantor of this exchange is a pluralistic mass media, which focus public debate on policy, help citizens make informed political choices, and foster more accountable government. Because of the challenges facing the Russian media, NGO campaigns to educate citizens on issues of public concern are important complementary sources of information.

To support Russia's non-state media, USAID will 1) train journalists and media outlet managers in business, professional and ethics practices; 2) add a video exchange and further develop the text exchange that allows a network of non-state outlets to share news content (known as *Internovosti*); 3) provide legal consulting, training for media lawyers, and legal support for journalists in selected cases; and 4) help professional media associations increase their membership and strengthen their ties to similar institutions in the West, thereby increasing the ability of the Russian groups to lobby the government in the interests of the media. Notable among complementary media support programs is the cooperative media loan program of the Eurasia Foundation and the Media Development Loan Fund, which provides capital financing which complements USAID training.

NGO and other non-state information campaigns are supported through a variety of USAID programs that support NGO development, voter education, anti-trafficking efforts and youth involvement in the political process. The Internet is an important medium in all of these programs, and we are also planning future activities focused specifically on information available on the Internet and radio, depending on resource availability. USAID coordinates particularly closely in this area with the Public Affairs Section of the Embassy, which makes substantive public service information available to the media outlets that USAID supports through technical assistance. USAID coordinates regularly on media-related issues with other donors through the quarterly Media Donors Forum.

Understanding the tremendous uncertainty about the future of the non-state media in Russia, we nonetheless expect that by 2005 regional outlet (print and broadcast) participating in our programs will be stronger managerially, professionally and financially, with an understanding of media ethics and access to competent legal assistance. We expect the number of outlets participating in the *Internovosti* news exchange network to increase from the current 184 to 260 in 2005. More importantly, the sources of non-state information will increase because we will be reaching out to smaller towns through our regional network in both Internews and PDI. We also expect that citizens will have additional sources of improved independent information through radio, Internet, and NGOs etc.

2. Civil Society and Advocacy Institutions Strengthened

Participation in major institutions of civil society — from community organizations to political parties and labor unions — lends texture to people's lives and provides an important platform for

collective action on issues of community concern. Civil society institutions are an important complement in society to business and government, and have been the main mechanism through which USAID has implemented its programs in Russia. A cadre of sustainable Russian nongovernmental organizations will be a major component of USAID's legacy in Russia.

USAID will continue to support a broad range of service and advocacy organizations through a network of NGO resource centers that stretches across Russia, with intensified attention given to NGOs in the Russian Far East. We will redouble our assistance to advocacy organizations, while continuing our work to support the formation of constructive relationships with businesses and local governments. This work is an important complement to the local governance program, which works to open up local governments to interaction with businesses and NGOs. USAID will also provide targeted support to groups working on domestic violence, trafficking in persons, women's leadership, labor unions and political parties. In all of these areas, the advocacy efforts of civil society groups will be a major focus, informed by assessments of our political party building program (2000) and our NGO strengthening program in the Far East (2001). USAID coordinates regularly with the Public Affairs, Political, Economic and Law Enforcement sections on issues ranging from anti-trafficking to labor union development.

By 2005, we expect that key NGOs in western Russia will have developed the capacity to mentor less-developed groups in the Far East. We will see more active cooperation between businesses, local government and NGOs, particularly where such cooperation is facilitated by favorable legislation. The VOICE coalition will have expanded significantly from its current 15 chapters and developed the capacity to monitor national elections (with USAID financing complemented by support from the Mott Foundation). Political party partners will have strengthened their membership base and their level of communication with constituents in the regions.

We expect that the advocacy skills of the NGOs assisted through all of our programs will be much stronger by 2005 and it will be a core part of all NGO operations. A dialogue between NGOs and political parties will be more the norm, rather than the exception and political parties will have a more developed grassroots base with a tighter link to its constituents in the regions we are working. Over the long-term (beyond 2005), we hope that the work we are doing in the regions will serve as models and create political space at the center. Finally, the civil society work we are doing with business and government in the regions will lead to the development of the Third Sector as a whole, particularly the development of a more friendly legislative framework.

3. Democratic Culture for Citizen Participation Strengthened

The transition from the passive citizenship of an authoritarian regime to the active citizenship that undergirds a democratic society is neither easy nor automatic. However, without a commitment by citizens to engage in their communities, formal democratic institutions and a pluralistic media mean little. In a new approach to citizen participation in Russia, USAID aims to expand citizen participation not just through formal citizen involvement in NGO activities, but

also through increased *ad hoc* citizen involvement in their communities, as in volunteerism and charitable giving.

Though the particulars of this program are still being developed, civic education will be an essential component of this revised strategy. USAID expects to complement the civic education efforts of the Public Affairs Section and various NGOs at work in the sector by spreading established models to Russia's regions, and initiating programs that extend outside the classroom to catalyze youth participation in community activities. USAID will also work with Junior Achievement Russia as they incorporate civics themes together with business ethics into their curriculum. USAID already touches on the issues of volunteerism and philanthropy through its NGO development programs, but we are currently considering other points of engagement in these areas. We will also continue to collaborate with the Council of Europe in supporting for the Moscow School of Political Studies, which holds seminars in democratic governance for young Russian leaders.

Perhaps more than any other component of the USAID portfolio, work on increasing participation will constitute only the early steps of a process that will take a generation. Our hope is that by 2005, our efforts will have nurtured an understanding among donors and key NGO and government leaders that, in addition to the needed development of democratic institutions, work at the grassroots to install among Russia's citizens an understanding of rights and responsibilities in a democratic society is absolutely essential to complete Russia's political and economic transition.

We hope that by 2005, volunteerism, civic activism and philanthropy will be better understood and practiced in the regions we target. Specific activities focusing on these issues will be part of USAID's portfolio.

Strategic Objective: Legal Systems Strengthened

The rule of law is a cornerstone of democracy and essential to a well-functioning market economy. This objective focuses on citizen confidence as well as strengthening the rule of law itself. We recognize that strengthened institutions and processes related to the rule of law are of limited value if an increasing number of citizens do not actually use the system. Recent experience in Russia and elsewhere confirms that increased public confidence will not necessarily follow institutional improvements in the judicial system and human rights regime. The historic skepticism of the Russian public toward the legal system remains strong despite some important and positive changes, including both new laws and important institutional improvements (for example, the creation of the Judicial Department and Academy of Justice).

Increasing confidence in the rule of law requires the evolution of the attitudes of many players in the justice system and the public at large. To support change, USAID will complement current judicial reforms by preparing lawyers, judges and other justice system workers to implement new

practices and by supporting more independent and effective judicial bodies. Further, to improve public confidence, USAID assistance will increase public awareness of individual rights and combat corruption by advancing institutional transparency and accountability, supporting government reforms, and fortifying oversight entities. USAID's new human rights activity, to begin in 2002, will increase public awareness and increase human rights advocacy efforts, in keeping with the recommendations of the Assistance Review and the recent human rights assessment.

The prospects for significant improvements in the rule of law and increased public confidence in these changes are highly dependent on continued political will, within both the presidential administration and the judiciary. As noted in the democracy overview, the signs have been largely positive of late, and USAID has actively supported the reform process. The Putin Administration has pledged 45 billion rubles for judicial reform over the next five years, which should enable the Judicial Department to implement a number of important changes in the way that the courts actually carry out their functions. USAID continues to provide technical assistance to support the types of internal improvements that are expected with the increased resources.

Even with continued structural reforms, the development of the rule of law in Russia will be a long-term endeavor. By 2005, relatively new judicial institutions, such as the Judicial Department and Academy of Justice, should have progressed considerably toward becoming effective and respected organizations, and may require much less, if any, assistance. Russia's judges, practicing lawyers, and citizens will still be adjusting to a new adversarial legal system, in both criminal and civil cases, and work with these three groups to continue the transition will be important.

The USAID rule of law program focuses on three primary areas:

1. Public Awareness of Legal Rights Increased

Institutional improvements in the legal system and public confidence in that system are mutually reinforcing. Only a citizenry knowledgeable of its rights is able to demand that those rights be respected. Yet a June 2001 assessment commissioned by USAID ("Human Rights in Russia — Next Phase: From Glasnost' to Slyshnost' ") found that the Russian population consistently show a limited understanding of the relationship of basic civil liberties to the development of a robust democracy. Human rights NGOs should be key resources for citizens, but are often seen as irrelevant holdovers from a bygone era. Few Russians look to them for protection or support. Consistent with the assessment's recommendations, USAID will address this situation by assisting human rights NGOs improve their outreach and public awareness programming, as well as increasing their relevance to the population by strengthening their ability to affect policy changes on issues seen as relevant to the lives of the average Russian. This will increase use of the legal system, to complement the increased capacity of that system developed under the other intermediate results of this strategic objective.

The European Union will be replacing USAID in providing financial support for the Moscow-Helsinki Group's nationwide network of NGOs monitoring and reporting on human rights. This collaborative action by the European Union will enable USAID to focus more attention helping the human rights community to expand its advocacy and education programs. We will also continue to promote awareness of the legal rights of women, such as freedom from domestic violence. These activities will be closely coordinated with efforts to strengthen civil society advocacy and citizen participation in society.

By 2005, USAID's rights NGO partners will have increased their outreach and advocacy capacity, and will have heightened their profile among the public. Increasing public awareness is a long-term endeavor, but we expect that by 2005, public awareness of legal rights will have increased in targeted regions. The precise nature of the results will be conditioned in part by proposals submitted under the human rights annual program statement, still pending when this strategic amendment was completed.

2. More Lawyers Skilled in Representing Clients

The recently passed judicial reform legislation will effect a radical change in Russian jurisprudence, and its implementation will bring significant challenges. A more adversarial system, including trial by jury nationwide (as required under the new Criminal Procedure Code) will require lawyers to develop an entirely new set of skills. The legal education system inherited from Soviet times offered little in the way of practical training for trial lawyers. The reforms will stall if advocates are ill-equipped to represent citizens in court.

USAID's recent assessments in the field of human rights and clinical legal education have implicitly suggested fruitful areas for work in the area of legal education. USAID will further assess the needs in legal education and begin a targeted program in this area if funding is available. Given the new requirement for jury trials in all regions of the country by 2003, we anticipate that this will be a major focus of our assistance, which will be closely coordinated with other sections of the Embassy involved in supporting this effort. USAID will also expand its work with law school legal clinics as teaching models in response to an assessment conducted in 2001.

By 2005, practice-based methods of legal education, including clinical legal education, will be more widespread, and citizens' access to pro bono legal assistance will be significantly greater. Target groups of practicing lawyers will have been equipped with basic skills necessary in the adversarial system, which will have also been incorporated into practice-based legal education models in targeted areas.

3. Judicial System More Transparent, Independent and Efficient

An effective judicial system is the bedrock of the rule of law in any society. To help the Russian judicial system become more independent and effective, USAID will facilitate the expansion of ongoing professional contacts between high-level leaders of both countries' judiciaries, and

between counterpart organizations. We will work primarily through three relatively new official organs of the Russian judiciary — the Judicial Department, the Academy of Justice and the Supreme Qualifying Collegium — that are charged with important functions in areas where the U.S. judiciary has a comparative advantage: judicial administration; training; and judicial selection, rating and ethical norms. This will include training to prepare judges for their roles in the new adversarial system. In addition, in cooperation with the Judicial Department, a pilot court program will introduce innovative practices for possible adoption as national norms in the areas of case management and court administration.

These organs of the Russian judiciary will continue to benefit from USAID-facilitated relationships with the Administrative Office of the U.S. Courts, the U.S. National Judicial College, and the U.S. Federal Judicial Center. The Judicial Conference through its International Judicial Relations Committee has also generously contributed the time and efforts of U.S. judges toward building partnerships with their Russian colleagues, particularly within the Supreme Qualifying Collegium and the Council of Judges.

USAID's assistance to the Supreme Qualifying Collegium works toward increasing the transparency of the judicial system, in an effort to fight corruption. We will continue to help the Collegium standardize its materials and decisions, including those relating to the judicial selection process, and make them available more widely throughout the Russian judiciary and to the public. Likewise, the broader and more rapid dissemination of court decisions, including by modern electronic means, helps promote transparency; the Russian courts, with USAID encouragement, are progressing in this direction.

Changes to the Law on the Status of Judges and the Criminal Procedure Code that were signed into law in late 2001 fortify the position of judges in the Russian legal system, and provide an excellent opportunity for continued USAID work in judicial training — a field in which the U.S. has a significant comparative advantage. Applying lessons learned during the so-called “jury trial experiment” it supported in the mid-1990's, USAID will provide technical assistance to facilitate the implementation of jury trials nationwide. USAID and its contractor are also well positioned to provide assistance with the training of Justices of the Peace — an entirely new institution in Russia — depending on demand from the Russian side, and on available funding. There are also pending or proposed reforms that would affect the practice of law, the way cases against the government are handled, and the structure and power of the Council of Judges and the Supreme Qualifying Collegium. If and when these reforms are implemented, USAID may provide technical support to support their implementation.

By 2005, significant progress will have been made on the implementation of the judicial reforms, including introduction of jury trials nationwide, but full implementation will take much longer as court procedures, legal professionals and citizens adapt to the changes. We do expect that, by 2005, citizen access to court decisions via the Internet and from readily obtainable published sources will be far greater than is presently the case; likewise, judges will have greater and faster access to each other's decisions.

Strategic Objective: Local Governance Made More Responsive and Accountable

Local governance is a new strategic objective for USAID/Russia. In previous strategies, local governance work was included under an objective focused predominantly on health and social transition. The new strategic objective demonstrates the strong linkages between the institutions of local governance, civil society and a free-market economy and highlights the importance of local governance to achieving all of USAID's objectives.

USAID began the process of crafting the local governance objective with an independent assessment of local governance in the Volga Federal District in winter 2000, followed by a nationwide assessment in the fall of 2001. This objective addresses the reforms that local and regional administrations in Russia must make to create a vibrant business climate, to become responsive public partners in the functioning of a civil society, and to provide the social goods and services that their communities need. The program emphasizes the models that local governments need to maximize and manage their resources more effectively and equitably and to operate transparently, in full partnership with their communities. It also uses successful examples of local reforms and USAID/Russia's support for a key Russian think tank — the Institute for Urban Economics (IUE) — to press for federal-level reforms that will strengthen the institution of local governance in Russia, allowing communities to better govern themselves.

By the end of the strategy period, we anticipate that much of the model-building and best practices phase of USAID local governance programs will be completed. During this period, the focus will evolve from the physical and financial management of communities towards the performance of local governments as key players in a healthy civil society in Russia. This will remain the greater challenge in the future. Also during this period, we anticipate that our institution building will lead to the full sustainability of IUE and the creation of an urban economy faculty in an institution of higher learning in Russia.

Our critical assumption in formulating the local governance objective is that the institution of local governance will continue to be under threat as the roles of various levels of government are clarified, but that local and regional governments will continue to express strong demand for reform and positive social and economic policy will prevail.

In pursuing this objective, USAID works closely with a half dozen other donors, private foundations and multilateral organizations with programs in local governance, social protection, public finance, communal service reform, environment, education, NGO support and small community development. While these other organizations focus on one or several of these issues, only USAID treats municipal reform comprehensively.

1. Local Governments More Effective in Managing Resources

The transfer of budget resources and budget authority to Russian municipalities has not kept pace with the transfer of responsibility to provide goods and services. As a result, local governments

throughout Russia have come under increasing strain as they try to raise resources locally and make difficult management decisions regarding resource allocation. Planning for economic growth and revenue generation, as well as setting priorities for how resources are best used, has become vital for local communities.

To address these challenges, we will provide local governments with models that include examples of community-based strategic planning for economic growth and social spending, training for local officials in democratic governance, adoption of performance-based budget decision-making processes, and adoption of policies and procedures that improve the business climate. Increased emphasis will be placed on the comprehensive nature that local reforms should take in order to achieve maximum impact. This reflects a transition from working on a series of separate but closely related reform initiatives to a program that provides a “big picture” understanding of how the political, economic and social life of Russia’s communities are inseparably linked.

By 2005, the number of local governments using strategic planning as a tool for resource allocation and economic growth will have increased from 10 to 18. Meanwhile, the percentage of own-source revenues for local government in targeted regions will have doubled.

By 2005, we expect to see significant improvements in the ability of targeted municipalities to manage their resources. The targeted municipalities will have doubled their own-source revenues and twelve municipalities will be using quantitative analysis in budget decisions. Dissemination and replication of these best practices to the rest of the country will be a major emphasis during this strategy and will remain a significant challenge after 2005.

2. Local Governments Operate in Sustained Partnership with Their Communities

Many local governments now realize that strategic management decisions are best made in concert with their communities. This is made evident by the number of local governments that now invite their communities to participate in the budget decision-making process before budgets are finalized. This is one of the most important steps that any local government can take to introduce openness and transparency in their operations. It provides a key opportunity for the population to express its priorities and for the government to respond. Alongside the strategy planning exercise, it also provides an opportunity for various segments of the population, be they businesses, NGOs, community leaders or individual citizens, to work together developing common solutions. We also work with local governments to help them regularize their real estate markets so that they are transparent and predictable to investors.

USAID provides proven models of budget creation and analysis models for local governments to clearly understand what resources they have and how they are used. This promotes increased government interaction with the population because they have greater confidence in their data and can present their budgets in formats that are clear and understandable. By opening the decision-making process to public participation, the local governance program directly supports, and is supported by strategic objectives dealing with civil society, rule of law, policy reform and business development.

3. Equity, Effectiveness, and Efficiency in the Delivery of Goods and Services Increased

Local governments in Russia are the primary providers of social assistance, be it through direct subsidies, in-kind contributions, or discounted (and often free) public services. The great majority of social assistance is mandated at the federal level, but without federal funding. Benefits are largely assigned to persons based upon categories to which they belong, rather than their actual need. Currently, approximately 25 percent of social resources in Russia actually go to persons in need. Additionally, since the majority of local resources are absorbed by heavily subsidized inefficiencies in the utilities sector, insufficient resources are available to support social spending.

USAID directly addresses these issues by providing new models for governments to target assistance to those who are truly in need, to administer social programs more effectively, and to increase the efficiency of service delivery by contracting with local NGOs through competitive procurement mechanisms. Successful models will be disseminated to new communities and to policy-makers at higher levels of government. The program will also help local governments increase efficiency and cost recovery in the communal services sector (an effort that is now mandated by the federal government) so that more resources become available for social programs.

Our efforts to improve local service delivery directly support, and benefit from NGO and small business development programs, the economic policy reform work dealing with inter-governmental fiscal relations and reform of federal mandates, as well as achievement of the health objective to the extent that local governments receive the skills that they need to better deliver health services.

4. Functioning of Local Governments Strengthened by Legal Environment

Much of what needs to be achieved at the local level in Russia depends upon changes taking place in federal policy. As noted earlier, our work on local governance takes place in an environment in which the interest in and demand for reforms is great, but there is an increasing tendency for re-centralization of certain types of authority, or to resist the devolution of further authority to the local level. USAID addresses this issue directly by providing mechanisms to better inform the national policy debate across the entire spectrum of local governance issues. The focus is on dissemination of the results of successful local reform pilot efforts that directly test the effects of federal reforms. USAID also supports the ability of a key Russian think tank, the Institute for Urban Economics, to participate in national-level debates so that a new generation of federal and regional policy makers in Russia gain a better appreciation for local governance as a key institution in the functioning of a free-market economy and a vibrant civil society.

By 2005, the number of federal policies enacted to support market-oriented economic growth at local level will have increased significantly.

V. Improved Health and Child Welfare

In discussing the quality of life of Russian citizens . . . our key objectives are promotion of healthy life style, care of children and adolescents, and development of all elements of social infrastructure.

— Vladimir Putin, President of the Russian Federation at a meeting of the Presidium of the State Council, January 29, 2002

Inadequate funding of preventive health care, poverty, alcohol abuse, high rates of tobacco use and other unhealthy life style choices have reduced life expectancy in Russia, especially among males, to one of the lowest in Europe. The re-emergence of tuberculosis at epidemic proportions coupled with the fastest growing rate of HIV infections in the world threatens health in Russia and other countries. Health care remains a low priority for the Russian government, while the Russian people take too little responsibility for their personal health. The medical establishment continues to rely on a curative system, rather than instituting preventive approaches that have improved public health in industrialized and emerging economies. Reliance on institutionalization of hundreds of thousands of abandoned children, including those with real or perceived disabilities, illustrates a legacy that focused on the State instead of the family.

While health and child welfare indicators alone paint a disturbing picture, Russia has tremendous potential: an established health infrastructure, an educated population, and an interest in exposure to new models. Both the U.S. and Russia recognize the sector's compelling needs more fully than they did in 1999 and many improved models and protocols have been proven successful and are ready for replication. These models, successfully adapted to Russia and implemented on a demonstration, a regional, and a national scale, improve health, increase cost efficiency, inform policy and pave the way for broader reform. Based in part on the impact of models developed by USAID-supported NGOs, government authorities have acknowledged that the third sector's support will be crucial — particularly in the arena of child welfare reform.

Our past and ongoing programs in the sector have led to successes: pilot activities that improve people's health directly have been effective in changing policy at the facility, the regional, and, ultimately, the federal level. Work on quality improvement is being considered for a federal program. A model for tuberculosis control is raising treatment success rates and developing national capacity to implement changes. Women's health activities have increased the use of family planning, lowered abortion rates, and improved maternal and infant health. USAID's contribution to the emerging process of reform in the child welfare sector has been widely acknowledged, by both government and non-governmental sector actors: the Assistance to Russian Orphans activity is heralded as a unique catalyst in its creation of networks, capacity development, and potential to demonstrate improvements through change. The current strategy builds on these activities, while initiating a major new program to address the underlying factors of poor health in Russia.

Strategic Objective: Use of Improved Health and Child Welfare Practices Increased

This strategic objective reflects our recognition that improvement in the health status of Russians is a long-term process, and that USAID's comparative advantage is to generate bottom-up changes by introducing, adapting and disseminating modern systems and international guidelines for disease prevention and health care. Our approach is complemented by other donor programs, particularly those focused on health and child welfare reform at the federal level. USAID coordinates closely with a half dozen other donors to leverage our resources and together create the change and momentum needed to support Russia in its drive toward real reform.

Our health program focuses on the control and prevention of infectious diseases; improvement of primary health care, with special emphasis on maternal and child health; and changes in the child welfare system. These do not represent major changes from the 1999 strategy; however, experience gained in these areas since then indicates clearly that we are on the right track, and compels us to complement these interventions with activities designed to increase demand for preventive health and accelerate the dissemination of successful models. Emphasis will be put on promoting healthful lifestyles among Russia's youth to have the greatest impact on the health of future generations.

By 2005, our program will have improved and increased reliance on cost-effective, quality health care services, and will have launched a movement to elevate health as a personal responsibility and social priority. Internationally recognized approaches to tuberculosis treatment and HIV/AIDS prevention will be fully accepted in the country, based their demonstrable impact in targeted regions. New models for child welfare will be firmly established in selected regions and will spur national reform of the sector. Resources developed will be widely and easily accessible. Finally, NGOs will have consolidated their role in supporting the government in the delivery of crucial health and child welfare services. Although all programs may not have been completed by the end of the current strategy, their achievements will have so altered the policy, legislative, financing and technical environment that dismantling of the reforms will not be possible.

Reversing the potentially devastating growth rate of HIV/AIDS will remain a challenge. By 2005, heterosexual transmission is likely to overtake current modes of transmission. Changing lifestyle choices to healthy alternatives will be a long process requiring additional investments for each new cohort of adolescents. By 2005, Russia will have the expertise and political commitment to carry these programs forward, and in some cases USAID's role will shift to specific technical assistance.

One critical assumption underlies the revised strategy: that the Ministry of Health, regional and local governments continue to remain open to and endorse innovations introduced by USAID, including partnering with NGOs in health and child welfare reform efforts.

1. Access to More Effective Primary Health Care Services Increased

Although the Soviet system embraced primary health care in theory, in reality medical specialization and hospital-based tertiary care consumed most resources. A World Bank study found that 69 percent of health care allocations in 1991 went to hospitals, with only three percent going to public health. U.S.-Russia primary health care partnerships, quality assurance and other programs will contribute to reform of the health sector by introducing internationally approved best practices and evidence-based medicine that draw on sound clinical trials and research. Innovations, adapted to the Russian context at pilot sites, tested and reviewed for effectiveness, and shared with counterparts and decision-makers in the regions and in the Ministry of Health, form the basis for broader dissemination and adoption of new treatment guidelines, protocols, curricula and policies.

Maternal and child health, as well as the broader spectrum of reproductive health, is a priority of primary health care. An evaluation of our women and infant health activity in late 2001 underscored the benefits of our approach and provided valuable recommendations for future programming. We will build on our achievements in this area over the past two years to increase the role of family planning, as an integrated part of women's health services, and thereby further reduce the historic reliance on abortions. The new information, education and communication activity will support broad replication of programs in reproductive health and other primary health care.

By 2005, community-oriented model for primary health care improvements will be developed and ready for dissemination to additional sites. U.S.-Russia health partnerships will graduate to a new level, including a lead role on dissemination of models and actions for increased community participation. Quality improvement methodologies will be widely applied to ensure service delivery guidelines that evidence-based, internationally recognized standards of practice.

2. Improved Prevention and Control Practices Adopted to Reduce the Spread of HIV/AIDS, Tuberculosis And STIs

Growing epidemics in three infectious disease areas — HIV/AIDS, sexually transmitted infections (STIs), and tuberculosis — will have a devastating impact on Russian's quality of life and life expectancy if not checked. Of equal concern is the potential impact of these epidemics on the Russian economy and political stability and, as a global health threat, to the health of Americans in the U.S. Bringing these epidemics under control is a U.S. national security priority.

USAID has 15 years of experience in responding globally to HIV/AIDS. In Russia, USAID's three years of work on HIV/AIDS have heightened the government's emphasis on prevention and gained credibility for NGOs involved in outreach and education. This recognition for NGOs is an important achievement, and a significant development from the time of the last strategy. We will continue to draw on our comparative advantage, providing information to promote healthy behavior targeted to youth aged 15-25; conducting targeted and compelling condom social

marketing campaigns; and using specialized NGOs to work with hard-to-reach groups at high risk such as injecting drug users and prostitutes. High rates of STIs increase the risk of HIV infection, and must be addressed to reduce the HIV epidemic. We will pursue interventions based on the Centers for Disease Control's (CDC's) groundbreaking research on STIs, with an emphasis on women and youth. An HIV/AIDS/STI prevention plan for 2001-2005 will develop current activities in Moscow City, Saratov and Samara oblasts and reflect Russia's status as an Intensive Focus country in the Agency's Expanded Response to AIDS.

Many Russian doctors, scientists and decision-makers adhere to the traditional methods of diagnosing and treating tuberculosis. Health officials need further evidence about the effectiveness of modern treatment to avoid poor planning, financing and questionable management. Public awareness of tuberculosis and related issues is low. USAID's tuberculosis treatment and control program introduced the World Health Organization's internationally recognized methods and works with health, social protection and penitentiary officials to improve coordination on tuberculosis control and prevention. The 2001-2005 tuberculosis program will extend and expand our tuberculosis activities to add additional regional programs, further develop models to respond to drug-resistant tuberculosis, develop models to prevent HIV-tuberculosis co-infection, and increase federal capacity for tuberculosis management. To deepen U.S. assistance on tuberculosis, the International Federation of Red Cross and Red Crescent Societies will strengthen the Russian Red Cross to expand use of successful models, and the CDC will continue to provide technical assistance in overall tuberculosis control.

Given resource constraints, only joint efforts among donors (especially in areas that USAID cannot fund, e.g., needle exchange) will alter the course of these epidemics. When the federal and regional ministries of health fully embrace the preventive approaches we promote, USAID's role will shift to more targeted technical assistance.

By 2005, Internationally recognized approaches to tuberculosis treatment and HIV/AIDS prevention will be fully accepted in the country, based their demonstrable impact in targeted regions of the country. Treatment success rates exceeding the WHO standard for success will be achieved in targeted regions, demonstrating the benefits of the WHO approach. Results should be available on pilot efforts to develop internationally recognized approaches to treatment of multi-drug resistant tuberculosis as well, a challenged for the coming years in Russia. USAID, in collaboration with other donors and Russian partners, will contribute to the WHO's projection of one-third of the country covered by the World Health Organization's internationally recognized approach (DOTS) by 2005.

Reversing the potentially devastating growth rate of HIV/AIDS will remain a challenge. By 2005, heterosexual transmission is likely to replace current modes of transmission. Changing lifestyle choices to healthy alternatives will be a long process requiring additional investments for each new cohort of adolescents. By 2005, Russia will have the expertise and political commitment to carry these programs forward, and USAID's role will shift to specific technical assistance. Condom special marketing campaigns will have increased the demand for and use of condom among youth, who are particularly vulnerable to HIV and other STIs. Condom sales in

demonstration regions will increase, reflecting this change in social norms around condom use, and increased access to information through various channels on the risk of HIV.

3. Demand for Preventive Health by Individuals, Communities, and Decision-Makers Increased

Russians' declining life expectancy can be directly attributed to their individual lifestyle choices and the low priority given by society to preventive health practices. And, while we have seen new models of preventive health care introduced and replicated, we need to accelerate their dissemination and adoption to have a broader impact on health.

USAID/Russia has successfully used information, education and communication strategies in numerous health activities. Through a new activity, Healthy Russia 2020, we will expand on previous communication achievements in Russia and elsewhere in changing individual behavior, mobilizing communities, and creating responsive health institutions to accelerate a social movement for health. Healthy lifestyle choices will be emphasized, particularly in campaigns directed to men and youth, the groups most affected by alcohol, tobacco use and trauma deaths. The activity will be coordinated closely with media and citizen participation activities in the democracy program to build on those resources and contacts. The private sector will be engaged, for instance by using pharmacists in the effort to promote family planning information and use. Tools to improve environmental health will be disseminated in conjunction with the environment program. The Internet, which enables rapid dissemination of information and capitalizes on multiple donors' investments, will play an essential role in this process. We will explore partnerships through the Global Development Alliance. Through these activities — and in close coordination with the efforts of other donors and Russian partners — we expect morbidity and mortality rates in Russia to be on par with the rest of Europe by 2020.

By 2005, Healthy Russia will be in its third year of implementation, with an additional two years as planned in the first phase. Increased communication activities will support a great emphasis on broad replication of past communication programs in reproductive health and other primary health care issues, as well as increasing attention to individual behavior change.

4. New Child Abandonment Prevention Models Implemented

USAID's work to improve the situation of Russian orphans is closely linked to the approach and objectives of the more traditional health sector activities in the strategic objective. The Soviet legacy of institutions to warehouse abandoned or disabled children reflects a similar lack of progress in adopting internationally recognized approaches to deal with the problems of child welfare. The result sought applies the demonstration or model approach, with an emphasis on work by Russian NGOs.

At the time of the previous strategy, USAID had no experience in this sector. Initial efforts focused on disseminating existing Russian models of alternatives to institutionalization, as well as supporting new efforts by NGOs to address this compelling issue. Regional Initiative sites

were identified as focus areas for small grants, training and technical assistance, with regional programs developed to improve service delivery related to abandonment prevention, alternative forms of family-based care (e.g., foster family care, new to Russia), social adaptation skills for older orphans graduating from state care, and children's rights. Based on successes, captured in an evaluation of the Assistance to Russian Orphans program in late 2001, the current strategy will increase dissemination of best practices in child welfare services, intensify public education on the issue, and pursue systemic policy changes. Development of the NGOs' capacity will be supported by activities to strengthen civil society institutions, particularly in the Far East, and efforts to promote the use of NGOs by municipalities to deliver such social services. Russia has the potential by 2005 to move from institutionalizing orphans to family and community-based models. Depending on progress, USAID's emphasis may shift to broader child welfare issues.

Thus, by 2005 we expect new models for child welfare will be firmly established in selected regions and will spur national reform of the child welfare sector. NGOs will have consolidated their role in supporting the government in the delivery of crucial health and child welfare and services.

VI. Cross-Cutting Programs

Special Objective: Program Support

USAID will continue to finance an array of activities that cannot be attributed solely to one strategic objective. These activities, funded under a special objective for “Program Support,” give USAID the flexibility to respond quickly to changing needs, to finance activities that cut across multiple objectives and enhance the linkage among sectors, and to support analysis and strategic planning. Major components of this objective include:

- U.S.-Russian partnership programs;
- Support for the Eurasia Foundation;
- Participant training;
- Evaluations, assessments and surveys; and
- USAID support for managing the Regional Initiative.

Partnerships, participant training and the Eurasia Foundation account for the majority of the funding under this objective. Our partnership programs in the Volga Federal District and in the Russian Far East are flexible mechanisms for addressing immediate needs in multiple sectors, while building strong ties between Americans and Russians. The participant training program addresses inter-sectoral issues, by strengthening crucial skills needed by Russian leaders, professionals and young entrepreneurs, and exposes participants to U.S. approaches, values and culture. The training program also supports workshops and other events to assist alumni of USG exchanges and training programs to create and manage alumni associations. We also support the Eurasia Foundation, which works with more than 1,000 nonprofit organizations, educational institutions, companies and local governments throughout Russia and their counterparts in the U.S. Through its competitive grants programs, the Foundation provides a quick and flexible response to the needs of Russian citizens and grassroots organizations in small business development, public administration and civil society.

VII. Strategic Themes

We would deal with the infectious disease problem ... and help Russia with their public health system. This is a real opportunity for a partnership that transcends the friendship between two presidents and goes from people to people.

— Sam Nunn, CEO, Nuclear Threat Initiative

Integral to this strategy amendment are key strategic themes common to all program areas that are not captured well in a discussion structured by strategic objective. Attention to these themes is essential to the success of the strategy and are important ends themselves. They provide cohesion to the strategy, forcing us to take a broader view of the program and to understand the inter-relationships among our objectives.

We have identified five such themes. Some are already well developed and integrated into our programs. Others are newer themes that we have identified as important for us to address, but may require further analysis or efforts to build into the program. These themes are: U.S.-Russian partnerships, anti-corruption, gender, youth and conflict prevention.

Partnerships

Since the inception of the program, U.S.-Russian partnerships have been an important vehicle for facilitating technology transfer and strengthen Russian capacity to provide services. They go beyond addressing the specific technical needs of the partners to build long-standing, mutually supportive relationships and lines of communication between communities and institutions in the two countries. Consistent with the Assistance Review, Partnerships epitomize the cooperative relationship called for in the Assistance Review, and on which our whole program and our bilateral relations should be based, and could serve as a model for long-term U.S. cooperation with Russia.

Two partnership programs support achievement of all of our strategic objectives. One brings together Americans and Russians to address priorities identified in the U.S. Government (USG) assistance strategy for the Russian Far East, with an emphasis on promoting local economic development and integration of Russia into the Pacific Rim. The other supports U.S.-Russia Partnerships to develop and replicate models that provide solutions to legal, social and economic problems in the Volga Federal District.

Other sector-specific partnership programs link U.S. and Russian institutions to share knowledge and experience and to address priority technical issues. Health partnerships bring together U.S. and Russian medical institutions and communities to improve public health care. Partnerships between U.S., Russian and East European economic think tanks provide fora for the exchange of

ideas and approaches to policy issues. The rule of law program's sister bar partnerships bring together diverse elements of the legal profession (e.g., practicing lawyers, prosecutors, law schools) from eight U.S. states and eight Russian regions. In addition, we support ongoing judicial partnerships between the U.S. National Judicial College and the Russian Academy of Justice, and the Administrative Office of the U.S. Courts and the Russian courts of general jurisdiction, and between the Judicial Conference of the United States and the Council of Judges of the Russian Federation.

A third variation in the types of partnerships we support are those that develop between U.S. and Russian implementers of our programs. The Institute for Urban Economics, for example, created and strengthened through a partnership with the Urban Institute, is now one of the leading non-governmental policy institutes in Russia. The two institutes continue to maintain a close partnership relationship. The story is the same for the Center for Fiscal Policy-George State University partnership and the partnership between the Institute for Electoral Systems Development and the International Foundation for Electoral Systems.

Over the next few years, we plan to build on our experience with partnerships to explore how they can be used more extensively in all our program areas. In exploring these areas, we also seek more opportunities for partnerships linking U.S., Russian and third-country institutions and for partnerships, including the Global Development Alliance, that engage U.S. corporations operating in Russia.

Anti-Corruption

Widespread corruption is a brake on Russia's democratic and economic transition. It undermines trust among citizens and between citizens and government officials, perverts understanding of democratic and moral values, and saps valuable resources from businesses. A recent survey concludes:

Most Russians believe that state civil servants, representatives of power of all levels are not honest, take bribes and abuse their power. Sixty-two percent think that corruption (bribe-taking) 'is widely spread in Russia.'
— "Bribery Again," *Novoe Vremya*, November 18, 2001

Furthermore, the Procurator General's Office reported that around 8,000 incidents of bribery were exposed in 2001 — a 14 percent increase from 2000. In response, President Putin has used the media, as well as executive and legislative initiatives, to increase awareness of the issue of corruption.

USAID approaches the problem of corruption from many perspectives: increasing transparency of government processes and decisions, improving ethics in government (including the judiciary)

and business, promoting specific legislative reforms in targeted areas, and training future generations in civic responsibility. We are working with regional and municipal governments to improve the effectiveness and transparency of budgeting systems, increase the use of competitive procurement mechanisms, introduce need-based targeting of services and open up decision-making to broader citizen participation. This work is complemented by support to a Russian think tank to improve the efficiency and objectivity of the system for inter-governmental transfers. Through our business and non-governmental organizations (NGO) advocacy activities, as well as our support to independent media, we are strengthening civil society's capacity to monitor and question management of public resources and hold government accountable. Through these activities and others focused on economic policy, we are also helping to reduce the opportunity for rent seeking by public officials through the elimination of excessive regulation of businesses and communal services. On a pilot basis, we have also promoted the creation of public-private partnerships in Tomsk and Samara among local government, business associations and NGOs. These groups have formulated anti-corruption action plans and conducted workshops on over-regulation and bureaucratic discretion, as well as transparency in government procurement and budgeting. We are also continuing to promote judicial ethics and standards through training and through partnerships with peers in the U.S.

Our efforts to fight corruption in the business sector focus on corporate governance, training on new anti-money laundering procedures, accounting reform to promote more transparent financial information to evaluate investment risk, as well as school programs promoting business ethics. In addition, we are supporting efforts to integrate the Russia into the world economy, such as through membership in the World Trade Organization, and thereby exposing Russian businesses to the scrutiny of international standards of business conduct.

To ensure this array of efforts to combat corruption are effectively coordinated, we will re-establish our Anti-Corruption Working Group and develop follow-on activities to build on past successes. With this approach, coupled with our focus on strengthening independent media, we will seek to expand the constituency for the political and legislative reform at all levels necessary to combat the tremendous problem of corruption in Russia.

Gender

USAID/Russia strives to integrate gender considerations into all of its activities. Using gender as an additional lens through which to view and resolve technical issues results in better targeted and more effective activities. In some program areas, gender considerations affect the approach taken within a given activity and in others, specific activities are designed to address problems already identified. To ensure that gender issues are addressed, all programs designed, implemented and assessed under the strategy amendment will redouble efforts to take into account differences and inequalities between men and women. All results framework indicators will be disaggregated by gender to the greatest extent feasible.

Since the inception of USAID's activities in Russia, we have recognized the challenges to the equal advancement of both women and men. Women in Russia continue to face discrimination in the economic and political spheres, while men in Russia face tremendous health challenges. Despite the strong presence of women in the Russian workforce, disparities exist in wages for equal work, unemployment rates, top management positions, business ownership, and political leadership. Both Russian and American researchers have reported that women have not fared as well as men economically during recent transitions and privatization. Our medium-size enterprise (SME) lending and business support activities support both men- and women-owned businesses, and our economic policy analysis topics, such as pension reform, include gender implications. Also, activities such as Junior Achievement Russia will continue to lay the foundation for a new generation of both male and female entrepreneurs.

In the political sector, women in Russia are exercising their long-standing voting rights, but the numbers of women involved in political parties and elected to public office are still small. To encourage women's political participation, we implement a women's leadership activity and strive to encourage more women to participate in party building activities. Also, we will continue to support the gender law program and the activities of the women's NGOs to promote women's rights in Russia. In the women-dominated NGO sector, we will seek to increase male participation, especially among young men who are still in the formative years of their perspectives on lifestyle choices and civic involvement.

In the social sector, several pressing issues in health are disproportionately affecting men: HIV/AIDS, tuberculosis, and unhealthy lifestyles that contribute to high morbidity and mortality rates. Within the context of this strategy amendment, the health program plans greater emphasis on prevention that will include focused interventions connected with the high morbidity rates among Russian men. Also, the program will continue and expand the replication of successful methods for improving women's reproductive health.

Domestic violence and trafficking in persons both continue to be serious human rights concerns predominantly affecting women in Russia. Russian women's groups still estimate that up to half of the women in Russia are victims of domestic violence. Although reliable statistics do not exist on trafficking, it is estimated that mostly girls and young women are trafficked and their vulnerability to trafficking derives predominantly from the lack of economic alternatives and the lure of employment abroad. In response, we will continue to commit significant resources to providing job skills and other training to young women at risk for trafficking, to expanding public awareness of both issues, to supporting women's crisis centers and to promoting legal reform in the domestic violence area.

Youth

The Assistance Review specified that "special emphasis should be placed on programs that work with young Russians," noting that "the post-Soviet generation will dominate Russian institutions and society 15-20 years from now." In response, USAID/Russia conducted a preliminary youth

assessment, with the assistance of USAID/W, to review options and propose some specific actions to intensify its focus on youth.

Among the youth, 15-24 year olds, representing 22.7 million people (15 percent of the population), are a critical age group. They were raised largely in the “post-Soviet” educational system and are just beginning to enter the labor market. Survey data reveal that they see their needs and problems differently from the generations before them, who were already teenagers or young adults at the beginning of the reform period. This group is marked by political apathy, extraordinary health risks, vulnerability to extremist movements, a knowledge of rights without accepting concomitant responsibilities, and only vague notions of how laws and institutions work.

Currently, several of our activities focus on young Russians. These activities include democracy programs, such as NGO development and political party building; health programs in HIV/AIDS prevention and women’s and infants’ health and child welfare; and the Junior Achievement business program. We will continue to seek out opportunities to engage youth, for example in social marketing and health promotion activities, and through the use of media frequented by youth audiences, such as radio and Internet.

We will continue to analyze gender differences among youth, such as the increased risk for trafficking of young women and the increased health risks for young male intravenous drug users, to target programming most effectively. The democracy program will examine the lack of NGO participation by young men and the critical role of youth in conflict prevention in designing its future tolerance promotion activities. In general, we will reinforce and diversify the focus on youth throughout the portfolio during the strategy amendment period.

Conflict Prevention

Recognizing that conflict prevention is more cost-effective than emergency response and crisis management, USAID/Russia has begun to take a closer look at the many regions in Russia where social peace is unstable. Agency guidance set forth in the Automated Directives System (ADS) and in State Cable 115913, moreover, requires that we report on conflict issues in a country strategy.

Efforts to prevent conflict should be targeted to address the underlying conditions that threaten a specific region’s stability. In Russia, regions at high risk for conflict may be grouped into four categories:

1. economically stagnant regions, such as the North Caucasus, where poverty and proximity to unstable neighbors threaten to ignite underlying religious and ethnic tensions;
2. comparatively affluent regions such as Tatarstan, Bashkortostan and Yakutiya, where the national revival of non-Russian and non-Orthodox majorities, and ensuing shifts in

social, economic and political ascendancy, are creating tensions with the ethnic Russian Orthodox minority;

3. regions coping with the large-scale influx of migrants of differing religious or ethnic background (such as Chinese economic migrants in the Far East and Chechen displaced persons in Ingushetiya), where unprecedented competition for limited jobs and resources and severe pressures on local governments and infrastructure potentially evokes the resentment of the original population; and
4. regions, such as the Kuzbass, that are excessively dependent on a single industry that is in severe decline and consequently are vulnerable to the civil disorder that may result from large-scale unemployment and crumbling standards of living.

By contributing to economic growth, stronger civil society, more vigorous democratic institutions and the protection of human rights, our programs across-the-board help to alleviate the root causes of conflict. More directly, conflict prevention is used as an additional lens through which to view and adapt program design, such as encouraging diverse communities to work together for improved local governance. Currently, USAID programs are predominantly implemented in regions where there is a receptive local environment, which enhances the odds of achieving demonstrable results. In many cases, this means that we are not working in those regions where conflicts are most likely to erupt. The very circumstances that make conflict possible often constitute barriers to the effective implementation of our programs at the resource levels we currently have available. We will continue to assess and weigh the trade-offs between the need to produce measurable results and success stories which inspire replication on the one hand, and the desire to pursue conflict prevention more broadly, on the other.

Two of our geographic focus areas — the Russian Far East and the Volga Federal District (category 3 and category 2 respectively) — are regions that have been identified as high risk for conflict. We are working in these regions because we assess the chances of making a meaningful impact to be greater than elsewhere. Over the next year, we will develop a specific programmatic response to conflict prevention on a pilot project basis. The human rights/rule of law program will focus more on fostering tolerance among diverse populations, beginning with an assessment of key issues in the Volga Federal District, and will expand conflict prevention activities as appropriate. We do not plan to work in the Caucasus during this strategy amendment period. However, by 2005, assuming that the situation in Chechnya has stabilized, the U.S. Government and USAID should be looking more proactively at the needs in that region.

ANNEXES

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Annex A. Geographic Focus

Russia is a vast country with a large and dispersed population that has many critical needs. However, USAID/Russia has neither the mandate nor the resources to “do it all.” Tighter budgets and the continual effort to maximize impact encourage us to seek greater synergy among activities through a more defined geographic focus. This strategy amendment proposes to reduce the dispersion of our programs and concentrate resources in a set of regions where they will have a significant impact on Russia’s transition. We assume that our activities can and should be complementary, and that co-location will maximize their impact. Geographic concentration increases opportunities for collaboration and simplifies coordination among activities, while facilitating replication and dissemination of successes, and facilitating site visits and monitoring.

In the 1999-2003 strategic plan, USAID/Russia committed itself to focusing program implementation in regions outside of Moscow and St. Petersburg. Concurrently, U.S. Embassy Moscow was implementing a “Regional Initiative” program that aimed to concentrate U.S. Government (USG) assistance programs and resources generally in a few regions to “create models of success.” Beyond giving priority to locating activities in the Regional Initiative sites, the siting of activities was largely determined on an ad hoc basis, often reflecting local demand and receptivity to change, technical factors, the geographic focus of partners’ programs, earmarks and directives, and, in some cases, an effort to reach most of the country. By 2001, the USAID program was concentrated in 29 regions outside of Moscow, and with at least a few activities in virtually every region of the country.

Following the National Security Council-mandated Assistance Review, Embassy Moscow has been reassessing the geographic focus and implementation of the Regional Initiative. To date, Regional Initiative sites have been Novgorod, Samara and Tomsk oblasts and the Russian Far East. Novgorod, the original Regional Initiative site and the first to graduate from the program in late 2000, and Samara have “developed a reputation as pro-business and open to outside investment” as well as being “willing to experiment with a variety of free market and democratic mechanisms.” But as the Assistance Review points out, the Regional Initiative has also had limitations: limited dissemination and replication of lessons learned to other regions, and costly and time-consuming administration. The Regional Initiative also does not reflect the many other regions where USG programs — including USAID’s — are already concentrated.

The Assistance Review recommends that a new regional assistance plan be developed, building on the successes of the Regional Initiative while accelerating dissemination of successful models and reducing the administrative cost. The assumption, to some extent borne out by the success of Novgorod, is that concentrating mutually reinforcing USG development programs in progressive regions does have an impact that is greater than the sum of the parts. How this will be done for USG assistance and in which regions are still open questions.

A sharpening of the geographic focus of USAID's programs and expansion of the Regional Initiative are intertwined. USAID/Russia must support decisions made on the expansion of the Regional Initiative, and our programs will benefit from close coordination with other USG programs. At the same time, any effort to expand the Regional Initiative's geographic focus needs to take into account the location of USG activities already being implemented. Since USAID manages the largest portfolio of USG non-security-related assistance programs in Russia and, consequently, has the largest number of activities operating in the regions, the focus of our strategy should have a significant impact on where and how the Regional Initiative expands.

This paper discusses the geographic focus of USAID's program, but with the recognition that many of the conclusions apply equally to the Regional Initiative. The following sections identify possible focus areas, and review the importance of coordination, including the process of setting priorities. The final section describes how these pieces could come together in the Volga Federal District.

Where Should We Focus?

Beyond sector-specific factors, where USAID focuses its program should be based on four criteria: U.S. foreign policy priorities, reform-minded local leadership, population concentrations, and opportunities to build on successful programs to replicate successes to other regions, and deepen the impact where the programs are operating.

U.S. Foreign Policy Priorities: The United States has a wide range of foreign policy objectives in its relationship with the Russian Federation. Each one suggests different geographic priorities, making decisions on the geographic focus complex. Most salient to this paper are U.S. objectives in:

- fostering regional stability and conflict prevention
- encouraging open markets and increasing trade with the U.S.
- strengthening democratic institutions and protection for human rights
- combating international crime and promoting the rule of law
- responding to humanitarian needs
- continuing to open Russia to the outside world
- promoting broad-based economic growth
- improving health and combating infectious diseases
- promoting nuclear non-proliferation
- mitigating transboundary environment problems

Reform-Minded Local Leadership: The success of USAID's programs, and the ability to leverage greater impact, depends to a large degree on local leadership in adopting and implementing critical reforms. We can identify progressive leaders based on their past performance in initiating and leading reforms, but this must be done region by region. For a

quick country-wide assessment, a composite index combining multiple political and economic factors can be used, such as an investment potential index.

Population Concentrations: Maximizing the impact of USAID's programs on the lives of ordinary Russians requires that programs invest where people live; in other words, focus in those regions with the largest populations. Total population is of interest here, rather than population density, so as not to discount geographically large regions with significant populations concentrated in only parts of the territory. There are 32 regions, excluding Moscow and St.-Petersburg cities that have over 1.5 million people. The analysis should also take into account the ethnic diversity of the regional population and the possible implications for regional stability.

Building on Existing Programs: The U.S. has an interest in continuing to build on successful programs in the regions, furthering those achievements and disseminating and replicating the successes in other regions. The Regional Initiative sites, as "models of success", particularly in the case of Novgorod and Samara, have much to offer to other regions. The regions in which USAID's programs are concentrated — outside of the Regional Initiative regions — can also serve as "models of success", and efforts should be made to build on those achievements. These model regions can serve as anchors for more broadly defined geographic focus areas.

While replication of successful models is not dependent on model and adopting regions being contiguous, it helps. The logistics of travel and communication are generally easier between neighboring regions than among those that are widely disbursed. Relationships developed with the leadership (political, business and civil society) in one region may carry-over to neighboring regions. The needs and cultural concerns are more likely shared among neighboring regions, than with distant ones.

Using these criteria as a guide, preliminary analysis suggests a geographic focus in the following areas:

The Russian Far East: Khabarovskiy, Primorskiy krays and Sakhalinskaya Oblast
(population: 4,290,000)

As the only part of the Russian Federation that borders on the United States, the Far East, with its historical relationship to the United States, is clearly of importance. The U.S. is concerned with integrating Russia into the economy of Pacific Rim and opening up access to a sustainable supply of natural resources. The oil industry, particularly on Sakhalin Island, and management of the forests and fisheries in the Far East are of particular interest to the U.S. These assets, while essential for economic growth, may also contribute to conflict in society if the benefits from their exploitation do not accrue to all parts of society. Within the Far East, Khabarovskiy and Primorskiy krays have the largest populations (52 percent of the total population of the Far East). USAID's ongoing programs have been concentrated in those two regions and on Sakhalin Island.

Siberia: Kemerovo, Krasnoyarskiy Kray, Irkutskaya, Novosibirskaya and Tomskaya oblasts (population: 12,585,000)

U.S. interests in Siberia relate primarily to efforts in non-proliferation and conversion of defense-related industries and scientists to peace-time purposes. In addition, Siberia does have a sizable industrial base, a high-skilled labor pool and important natural resources, making it an important region for national economic growth. Taking into account regions with high populations, where USAID's programs are concentrated and investment potential suggests a focus in the regions of Irkutsk, Krasnoyarsk, Kemerovo, Novosibirsk and Tomsk.

The Volga Federal District: Udmurtskaya and Chuvashskaya republics, Republics of Bashkortostan, Mariy-El, Mordoviya, Tatarstan, Komi-Permyatsky Autonomous Okrug, Kirovskaya, Nizhegorodskaya, Orenburgskaya, Penzenskaya, Permskaya, Samarskaya, Saratovskaya, and Ul'yanovskaya oblasts (population: 32,019,000)

The Volga Federal District is a key industrial and agricultural region of Russia. It has five cities with populations of over 1 million people. With 40% of Russia's Muslim population living in the district, conflict prevention is a high priority in the district. USAID has been implementing activities in the area since 1992, and in 2001 USAID had 36 activities in the district. Four of the ten regions (Samara, Nizhniy Novgorod, Perm and Saratov) have been particularly successful and can serve as models for the rest of the district. Political leadership for economic, democratic and social reform efforts has been strong in key cities and regions and in the President's Representative to the Volga Federal District.

Southern Russia: Krasnodarskiy Kray, Rostovskaya and Volgogradskaya oblasts (population: 12,103,000)

The Chechnya conflict, with its resulting human rights violations and displacement of the local population, have been of great concern to the U.S. To date, the State Department has managed assistance programs for displaced populations in Dagestan and Ingushetiya through international NGOs. There are no plans now for USAID to become more directly involved in that Republic. However, the United States and the Government of Russia are concerned about the potential for conflict to spread north into southern Russia as displaced persons settle outside of the Northern Caucasus. Helping to defuse the potential for conflict to spillover to neigspread into southern Russia by Expansion of economic opportunity and opening up communication among sectors of society can help to defuse the potential for conflict to spillover. USAID's small business activities have been highly successful in these regions and there is likely room for further expansion by mitigating pressure on populations through job and income generating activities.

Exceptions to the Geographic Focus

Northwest Russia — particularly the regions of Leningrad, Kareliya, Novgorod and Kaliningrad — is also a priority for the U.S. As the gateway to Europe since the time of Peter the Great, this region is important to efforts to open up Russia to the outside. One such effort is the multilateral Northern European Initiative (NEI), which is building trust and collaboration among the countries of northern Europe, including Russia. For USAID,

however, this is not a priority area for concentrating new activities. The Nordic countries are already active donors in this area, and the relative prosperity of St. Petersburg and Novgorod suggest there is little need for large levels of U.S. assistance. That said, we should continue to actively support the NEI through ongoing, targeted activities.

Among the focus areas, the mix of activities and approach vary, depending on local needs, program priorities and resource availability. The geographic focus should also be flexible to accommodate technical exceptions. Health activities, for example, need to be concentrated where the disease burden is greatest or where the demonstration effect from successful programs will be greatest. Some activities, such as human rights monitoring or the strengthening of independent media, should have a national scope to be effective. Likewise, there will continue to be activities based in Moscow and St. Petersburg cities where government and non-government institutions are located that are key to the development and implementation of national policies or that otherwise play a critical role in Russia's transition. Finally, coordination with other donors to avoid duplication of effort requires some flexibility in where we locate our activities.

More than Concentration: The Need for Coordination

Concentrating resources in targeted areas is not enough. USAID's programs must be well-coordinated to realize synergies and leverage greater impact from our resources.

Key to coordination is an understanding among all players of the goals or priorities being pursued. Priorities provide an incentive for joint efforts, focus interventions, and provide a framework for monitoring progress. While our strategic objectives for Russia guide the program at the national level, the priorities in each target area need to be tailored to the local context.

How the priorities are established will vary. In fact, in the Far East the priorities have already been set through the U.S. Assistance Strategy for the Far East. In other areas, to the extent feasible, participatory processes should be used to identify local priorities, and build ownership and participation in achieving those objectives. By facilitating broad participation in setting and implementing the priorities, USAID will make a major contribution to building a foundation for building democracy in the regions and, by example, the rest of the country.

Coordination must be done at many levels and among different groups: within USAID, among USG implementing agencies, with customer groups, with other donor organizations and with federal and local governments. The largest coordination challenge – and where it is most important – is in the regions. Who fills this role in the regions will vary among the target areas, depending on the needs of the area, local capacity, and USG facilities and personnel in the area. In the Far East, much of this responsibility will fall to the USAID staff member tied to the Consulate in Vladivostok. In other areas, we will need to look more to partner institutions, particularly Russian partners, and to Regional Initiative coordinators. We should also take advantage of the network of American Centers and Corners, consulates and other USG facilities in filling some of these roles.

Bringing it all together – The Volga Initiative

In the Volga Federal District, we have the opportunity to bring together the geographic focus and coordination around priorities with support for the development of a Russian model for government-business-civil society partnership. By doing so, we can achieve our immediate objectives and replicate our successes, while also supporting the Russian people to lead and implement the transition, one of the guiding principles of USAID's amended strategy.

In early 2001, USAID/Russia initiated the Volga Initiative, and created an inter-office Volga Working Group to execute it. The Initiative was initially a response to a request from the President's envoy in the Volga Federal District, and former Prime Minister, Sergey Kiriyenko, to work with us in replicating our successes throughout the district. The Initiative was also recognition that there are multiple "models of success" — by region and by sector — in the federal district that we can and should build on, and that a multidisciplinary approach would achieve the greatest results.

We have much to offer and to build on with 36 USAID activities and many other U.S. Government programs operating in the district. USAID has begun tailoring and directing its activities to support the Initiative. A new partnership program for the Volga Federal District emphasizes the need to disseminate and replicate successful projects, and the environmental Replication of Lessons Learned activity is focusing greater attention on the federal district. We have also channeled our support to the Institute for Urban Economics to establish a center in the Volga district to facilitate dissemination of information on successful projects.

In addition, other USG agencies are implementing numerous successful programs in the area that complement USAID's activities. This is particularly true in Samara, where, as a Regional Initiative site, USG assistance activities have been concentrated and many models have been developed that could be replicated to other regions. The presence of a Regional Initiative Coordinator based in Samara, and five American Corners and Centers in various parts of the district could help facilitate coordination and dissemination of information on successful programs.

To guide and coordinate new activities and the replication of prior successes, as discussed previously, we need to identify priorities for the region. Or, rather, we need to facilitate and support the Russians' identification of those priorities. These priorities should be based on a broad consultative process involving local and federal government, civil society and business in setting priorities for development and investment in the area. USAID can play an important role in supporting this consultative process, but it should be led and owned by Russians.

This is not a quick or easy process, and it is a process that is still unfolding. But how the priorities are derived is as, if not more, important to building a foundation for democracy as the specific activities that we implement. If successful in building consensus around development priorities, this process could be adapted for grappling with other issues in society and adopted by other regions of the country.



Annex B. Maps of Russia

Administrative Division of the Russian Federation



Administrative Division of the Russian Federation (Western Russia)



Annex C. Strategic Objectives Frameworks

This Annex includes frameworks for all of USAID/Russia's new strategic objectives (SO). Within the frameworks, the abbreviations listed below indicate linkages to other objectives, and the numbers after abbreviations refer to specific intermediate results (IR:)

Bureau Strategic Objective Number	USAID/Russia Strategic Objective	Abbreviation
1.3	Business Development	BD
1.4	Economic Policy	EP
1.6	Environment	ENV
2.1	Civil Society	CS
2.2	Rule of Law	ROL
2.3	Local Governance	LG
3.2	Health	H
4.1	The U.S. Russia Investment Fund	TUSRIF
4.2	Cross Cutting Initiatives	CC

Updated 02/06/2002

S.O. 1.3 Small and Medium-size Enterprise Sector Strengthened and Expanded

Indicator: Percentage of GDP represented by the SME sector

EP

TUSRIF

IR 1 Policy Environment for Small and Medium Enterprises Strengthened

ENV 1

CS 2

Indicators:

- (1) Number of BA campaigns launched to affect public policy change
- (2) Number of positive results from advocacy efforts or campaigns which reduce administrative burden on entrepreneurs

IR 2 Access to Finance for Small and Medium Enterprises Increased

EP 2

TUSRIF

Indicators:

- (1) Cumulative number of loans to SMEs made by USAID supported institutions, including gender disaggregated total
- (2) Dollar amount of loans to SMEs made by USAID supported institutions, including gender disaggregated total

IR 2.1 Policy Environment for Non-Bank Financial Institutions Providing Services to SMEs Improved

Indicators:

- (1) Level of progress in meeting goals on policy agenda

IR 2.2 Quality and Range of Financial Services to SMEs Improved

Indicators:

- (1) Number of sustainable institutions providing financial services to SMEs

IR 3 High Quality Business Services to SMEs Strengthened and Expanded

CC

ENV 2

Indicators:

- (1) Number of sustainable BSIs providing SME services
- (2) Number of paying clients assisted

IR 4 Young Entrepreneurs Better Informed and Prepared

H

CS 3

Indicators:

- (1) Number of young people who have participated in extracurricular programs on entrepreneurship and civics
- (2) Cumulative number of schools, colleges, and universities involved in USAID supported programs in entrepreneurship and civics

SO 1.4 Market-Oriented Reforms Developed and Implemented in Selected Sectors

- Indicators:
- (1) Russia enters WTO
 - (2) Tax collections
 - (3) Ratio of commercial bank domestic lending to GDP

BD

CS

IR 1 Independent Russian Economic Think Tanks Strengthened

CS 2

BD 1

Indicators:

- (1) Geographically diverse network of independent economic think tanks established (disaggregated by gender of think tank head)
- (2) Number of analyses prepared by think tanks, incorporated into legislation and other policy initiatives by the Russian Government
- (3) Number of funding sources per targeted think tank

IR 2 Resources to Russian Businesses and Entrepreneurs Efficiently Channeled by Banking Sector

BD 2

TUSRIF

Indicators:

- (1) Percentage of long-term (over 1-year) loans in selected commercial banks
- (2) Percentage of long-term (over 1-year) deposits in selected commercial banks

IR 3 Business Environment for Trade & Investment Improved

BD 1

Indicators:

- (1) Number of deregulation measures, prepared by think tanks, submitted to Duma
- (2) Russian industrial sectors analyzed to assess the potential benefits of WTO accession
- (3) Corporate Governance Code implemented by Russian business community

IR 4 Improved Fiscal Policies Developed & Adopted

BD 2.1

LG 2

LG 3

Indicators:

- (1) Number of regional governments distributing budgetary funds to municipalities by transparent revenue transfer formula
- (2) Number of unfunded federal mandates
- (3) Fully-funded national pension system adopted and implemented

SO 1.6 Environmental Resources Managed More Effectively to Support Economic Growth

Indicator: (1) Number of improved environmental practices adopted in targeted regions

IR 1 Eco-Businesses in Targeted Sectors Strengthened

BD 1

Indicators:

- (1) # of eco-business associations strengthened
- (2) # of eco-businesses participating in the eco-business associations, disaggregated by men/women owned
- (3) # of businesses showing improved performance from USAID-supported practices

IR 2 Operating Efficiency of Businesses Adopting Environmentally Friendly Practices Improved

BD 3

EP 3

Indicators:

- (1) # of businesses adopting ISO 14000
- (2) # of businesses adopting improved env. practices

IR 3 Practices that Improve the Environmental Quality of Services Adopted by Municipalities

LG 1

H 3

Indicators:

- (1) # of municipalities implementing adopting energy-efficiency programs
- (2) # of municipalities implementing health-risk assessments

IR 4 Forestry Management Practices Strengthened

Indicators:

- (1) % of forest fires caused by human action in five target areas
- (2) # of hectares of defoliation in two regions
- (3) # of regions adopting NRM practices

IR 5 Public Participation to Improve Environmental Resources Management Increased

CS 2

CS 3

Indicators:

- (1) # of environmental education programs implemented by NGOs
- (2) # of NGOs adopting citizen advocacy programs

SO 2.1 A More Open, Participatory Society

Indicators: (1) Citizen participation index
(2) Number of volunteers in selected regions

IR 1 Sources of non-state Information that are Accessible to the Public Increased and Improved

Indicators:

- (1) Level of public knowledge on certain given issues
- (2) Number of outlets using Internovosti
- (3) Citizen access to independent TV broadcasting in the regions

ENV

LG

H

IR 1.1 Public Information Provided through NGOs Increased

IR 1.2 Access to Legal Protection for Media Increased

IR 1.3 Business, Professional, and Ethics Practices in the Media Sector Strengthened

IR 1.4 Public Interest Information Available on the Internet Increased

IR 2 Civil Society and Advocacy Institutions Strengthened

Indicators:

- (1) NGO/political party development index
- (2) Number of advocacy campaigns conducted

ENV

BD 1

EP

LG

H

IR 2.1 Cooperation between NGOs, Government, and Business for Public Purposes Increased

IR 2.2 Citizens' Interests More Efficiently Represented

IR 2.3 Financial, Organizational, and Outreach Capacity Increased

IR 3 Democratic Culture for Citizen Participation Strengthened

Indicator:

- (1) Scale of democratic values and practices

EP 1

ENV

ROL

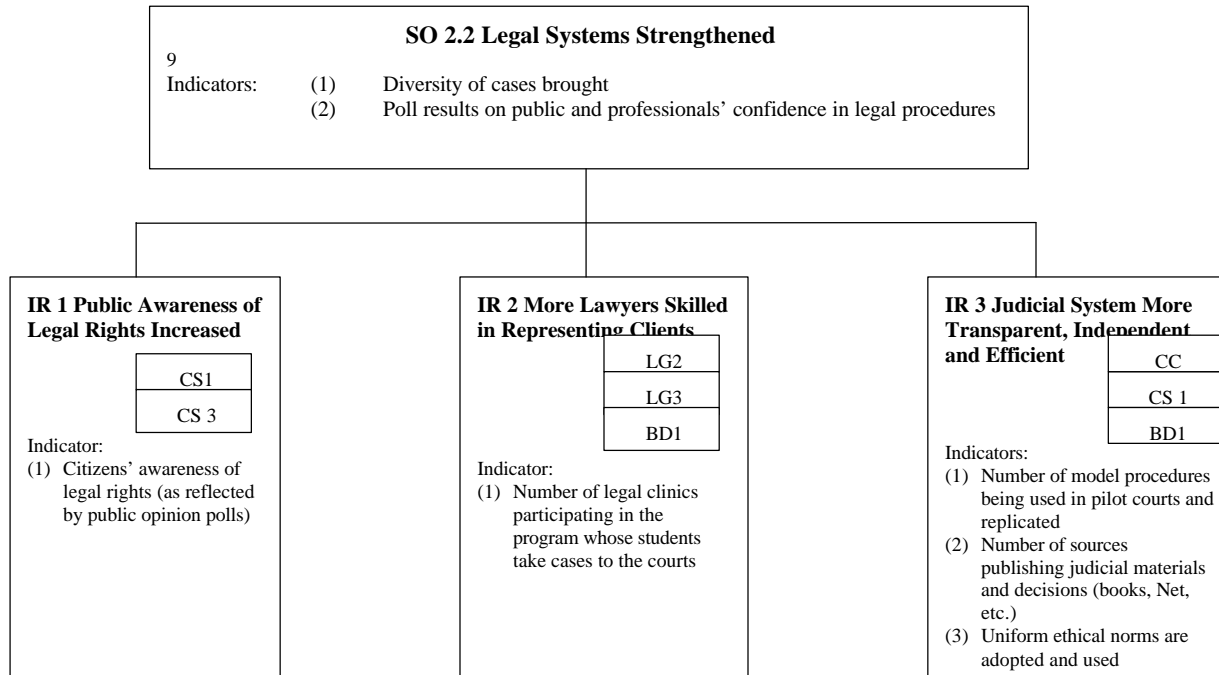
LG

H

IR 3.1 Civic Education Programs for Youth Improved

IR 3.2 Patterns of Volunteerism, and Charitable Giving Strengthened

IR 3.3 Number of Citizens Participate in Direct Action Activities Increased



SO 2.3 Local Governance Made More Responsive and Accountable

Indicator: Citizen satisfaction with local governance performance

IR 1 Local Governments More Effective in Managing Resources

BD 2

EP 1

EP 4

Indicators:

- (1) Number of local governments that use strategic planning as a tool for economic growth
- (2) Percentage of own-source revenues increase for local governments in targeted regions

IR 2 Local Governments Operate in Sustained Partnership with their Communities

CS 1

CS 2

CS 3

ROL 1

Indicator:

- (1) Number of local governments with active programs for public participation in budget and resource allocation decision-making processes

IR 3 Equity, Effectiveness, and Efficiency in the Delivery of Goods and Services Increased

ENV 2

H 1

H 3

H 4

Indicators:

- (1) Number of local governments in selected regions that adopt means-testing in the targeting of social services
- (2) Number of local governments in selected regions that introduce competitive procurement practices in the delivery of social goods and services
- (3) Number of local governments in selected regions that increase the level of cost-recovery for communal services

IR 4 Functioning of Local Governments Strengthened by Legal Environment

BD 1

EP 3

ROL 3

Indicator:

- (1) Number of federal and regional policies enacted that support market-oriented economic growth at the local level

IR 1.1 Local Officials More Knowledgeable and Skilled in Democratic Governance

Indicators:

- (1) Number of local administrators trained
- (2) Member services offered by municipal associations increase

IR 1.2 Local Financial Management Practices are Improved

Indicator:

- (1) Number of local governments that use quantitative analysis in budget decision-making

IR 1.3 Local Policies and Procedures Developed and Adopted to Stimulate Economic Growth

Indicator:

- (1) Number of local governments that adopt policies and procedures that promote active private real estate markets

SO 3.2 Use of Improved Health and Child Welfare Practices Increased

Indicators: (1) Percentage of population in Russia with access to international approach for tuberculosis treatment and control
(2) Percentage of youth in demonstration sites practicing healthier behaviors to prevent HIV infection
(3) Abortion rates in demonstration sites
(4) Number of children at risk of institutionalization remaining in family care in demonstration sites

Updated 02/06/2002

IR 1 Access to More Effective Primary Health Care (PHC) Services Increased

Indicators:
(1) Number of new services adopted by PHC providers
(2) Number of Baby Friendly Facilities certified

IR 2 Improved Prevention and Control Practices Adopted to Reduce the Spread of HIV/AIDs, TB and STDs

Indicators:
(1) Tuberculosis treatment success rate in pilot sites
(2) Number of condoms sold in demonstration regions

IR 3 Demand for Preventive Health by Individuals, Communities and Decision-Makers Increased

Indicator:
(1) Number of oblasts implementing new health prevention programs

IR 4 New Child Abandonment Prevention Models Implemented

Indicators:
(1) Number of administrations adopting new child welfare models
(2) Number of child welfare service providers implementing new models in selected regions

CS 1

CS 2

LG 2

IR 1.1 Use of Evidence-Based Practices in Women/Infant's Health and Non-Communicable Chronic Diseases Increased

IR 1.2 Quality Improvement Methodologies Applied to Primary Health Care

IR 1.3 Health Financing Redirected to Primary Health Care (other donors)

IR 3.1 Awareness of Preventive Health Care Benefits Increased

CS 1

ENV 2.2

Indicator:
(1) Number of media campaigns undertaken to promote preventive health care models

IR 3.2 Capacity to Mobilize for Preventive Health Increased

CS 1.2

Indicator:
(1) Number of communities with active health committees

IR 3.3 Multi-Sectoral Networks Established to Promote Health

Annex D. Indicator Tables

USAID/Russia Results Tracking Table, Business Development, Strategic Objective 1.3

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Strategic Objective 1.3: Small and medium-size enterprise sector strengthened and expanded														
Percentage of GDP represented by the SME sector	Definition: Share of registered SMEs in the GDP value Unit: Percentage	Goskomstat, SME Resource Center Survey, or other sources	2000	11%	12%		13%		15%		17%		18%	
Intermediate Result 1: Strengthened policy environment for small and medium enterprises														
Number of Business Associations’ campaigns launched to affect public policy change	Definition: Number of agendas developed and presented for action to the regional administrations Unit: Number	Implementing partners	2001	TBD ¹	1		3		10		18		24	
Number of positive results from advocacy efforts or campaigns which reduce administrative burden on entrepreneurs	Definition: Number of items adopted and implemented by the regional administrations from agenda assuming an average of 4 items per agenda Unit: Number of documents passed	Implementing partners, State Duma	2001	4		4	5		12		25		30	
Intermediate Result 2: Access to finance for small and medium enterprises increased														
Number of loans to SMEs made	Definition: Cumulative number of loans to SMEs made by USAID supported institutions, including gender disaggregated total Unit: Number (Number of women)	Current and former implementing partners	1999	7,098 (5,007)	25,000 (15,000)		35,000 (21,000)		45,000 (27,000)		60,000 (36,000)		80,000 (48,000)	
			2000	16,417 (11,862)										

¹RFA of the SME Policy Program has not been issued yet. The estimate will be available upon completion of a subject survey conducted by an implementor. Tentatively this will happen in 2002.

USAID/Russia Results Tracking Table, Business Development, Strategic Objective 1.3

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Dollar amount of loans to SMEs	Definition: Cumulative dollar amount of loans to SMEs made by USAID supported institutions, including gender disaggregated total Unit: \$mln (\$mln to Women)	Current and former implementing partners	1999	9.6 (6.3)	25 (15)		33 (19.8)		45 (27)		55 (33)		70 (42)	
			2000	17.2 (11.3)										
Intermediate Result 2.1: Policy environment for non-bank financial institutions providing services to SMEs improved														
Level of progress in meeting goals on policy agenda	Definition: Cumulative number of laws, regulations, policies adopted that influence financial institutions providing services to SMEs Unit: Number		2001	TBD ²	4		6		8		10		12	
Intermediate Result 2.2: Quality and range of financial services to SMEs improved														
Number of sustainable institutions providing financial services to SMEs	Definition: Cumulative number of USAID-supported funding institutions, which have become free-standing, independent from USAID, relying on profitable financial services to SMEs Unit: Number	Implementing partners	2001	TBD ²	41		43		45		48		50	

² This is a new indicator; the baseline data is not available yet

USAID/Russia Results Tracking Table, Business Development, Strategic Objective 1.3

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate Result 3: High quality business services to SMEs strengthened and expanded														
Number of sustainable BSIs providing SME services	Definition: Number of free-standing, independent from USAID funding business support institutions, that rely on profitable services to SMEs Unit: Number	Implementing partners	2001	320	N/A ⁵	320	330		350		380		N/A ³	
Number of paying clients assisted	Definition: Number of clients that are charged for the services received Unit: Number	Implementing partners	2001	9,000	N/A ⁵	9,000	12,800		15,000		18,000		N/A ⁴	
Intermediate Result 4: Young entrepreneurs better informed and prepared														
Number of young people who have participated in extracurricular programs on entrepreneurship and civics	Definition: Number of young people who have participated in extracurricular programs on entrepreneurship and civics Unit: Number, in millions	Junior Achievement Russia	2000	1	N/A ⁴		1.7		2.2		2.5		2.75	
Number of schools, colleges, and universities involved in USAID supported programs in entrepreneurship and civics	Definition: Cumulative number of schools, colleges, and universities involved in USAID supported programs in entrepreneurship and civics Unit: Number	Junior Achievement Russia	2000	5,000	N/A ⁵		6,000		6,500		7,000		7,500	

³ Current BSI support activity will be ended in 2004

⁴ This is a new indicator, no target was set for 2001

USAID/Russia Results Tracking Table, Economic Policy, Strategic Objective 1.4

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Strategic Objective 1.4: Market-Oriented Reforms Developed and Implemented in Selected Sectors														
Russia enters WTO	Definition: Russia enters WTO Unit: Yes/No	Official Information	2000	No	No	No	No		No		Yes		Yes	
Tax collections	Definition: Tax collection (in real terms) increases Unit: percentage to the previous year	State Committee on Statistics	2000	30	20	18 for nine months	20		20		20		20	
Ratio of commercial bank domestic lending to GDP	Definition: Percentage of commercial bank domestic lending to businesses in GDP increases Unit: Percentage	Central Bank of Russia	2000	11.5	14	14.5	17		20		23		25	
Intermediate Result 1: Independent Russian Economic Think Tanks Strengthened														
Geographically diverse network of independent economic think tanks established (disaggregated by gender of think tank head)	Definition: Number of regions with think tanks in the network and percentage of female-owned think tanks Unit: Number of regions and percentage	Implementing Partners	2000	N/A	N/A	10	18		20		25		30	
				N/A	N/A	20	25		30		35		40	
Number of analyses prepared by think tanks, incorporated into legislation and other policy initiatives by the Russian Government	Definition: Number of analyses prepared by think tanks, incorporated into legislation and other policy initiatives by the Russian Government Unit: Number	Implementing Partners	2000	20	30	35	40		50		60		60	

USAID/Russia Results Tracking Table, Economic Policy, Strategic Objective 1.4

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Number of funding sources per targeted think tank	Definition: Number of funding sources per targeted think tank Unit: Number	Implementing Partners	2000	1	2	2	2		3		3		4	
Intermediate Result 2: Resources to Russian Businesses and Entrepreneurs Efficiently Channeled by Banking Sector														
Percentage of long-term loans in select commercial banks	Definition: Percentage of long-term (over 1-year) loans in select commercial banks Unit: Percentage	Commercial banks	2000	10	12	15	16		18		22		25	
Percentage of long-term deposits in select commercial banks	Definition: Percentage of long-term (over 1-year) deposits in select commercial banks of total deposits Unit: Percentage	Commercial banks	2000	9	10	8	12		14		16		18	
Intermediate Result 3: Business Environment for Trade and Investment Improved														
Number of deregulation measures, prepared by think tanks, submitted to Duma	Definition: Number of deregulation measures, prepared by think tanks, submitted to Duma Unit: Number	Implementing Partners	2000	0	5	5	5		4		4		4	
Russian industrial sectors analyzed to assess the potential benefits of WTO accession	Definition: Number of Russian industrial sectors analyzed to assess the potential benefits of WTO accession Unit: Number	Implementing Partners	2000	0	5	TBD	2		5		5		N/A	

USAID/Russia Results Tracking Table, Economic Policy, Strategic Objective 1.4

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Corporate Governance Code implemented by Russian business community	Definition: Number of Russian Joint Stock Companies in compliance with core requirements of the Corporate Governance Code Unit: Number	Implementing Partners	2000	N/A	N/A	N/A	10		20		30		40	
Intermediate Result 4: Improved Fiscal Policies Developed and Adopted														
Number of regional governments distributing budgetary funds to municipalities by transparent revenue transfer formula	Definition: Cumulative number of regions where governments distributing budgetary funds to municipalities by transparent revenue transfer formula Unit: Number	Implementing Partners	2000	10	12	14	15		20		30		40	
Number of unfunded Federal mandates	Definition: Number of unfunded Federal mandates reduces gradually Unit: Number	Implementing Partners	2000	59	57	57	55		50		45		40	

USAID/Russia Results Tracking Table, Economic Policy, Strategic Objective 1.4

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
			YEAR	VALUE	2001		2002		2003		2004		2005	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Fully-funded national pension system adopted and implemented	Definition: Fully-funded national pension system adopted and implemented (milestone indicator) Unit: Y/N (for each milestone)	Implementing Partners, Russian press	2000	N/A	First package of three pension laws adopted	Y	Law on State Pension Fund and Law on Investment of Pension Funds adopted		System of individual pension accounts established		Non-government pension funds become increasingly involved in pension reform process		N/A	

USAID/Russia Results Tracking Table, Environment, Strategic Objective 1.6

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Strategic Objective SO 1.6: Environmental Resources Managed More Effectively to Support Economic Growth														
Percentage of oblasts implementing Natural Resource Management (NRM) practices	Definition: Percentage of oblasts implementing NRM practices Unit: Percentage	Winrock International and ISC	2000	71	78	78	81		84		87		90	
Percentage of oblasts implementing improved environmental practices	Definition: Percentage of oblasts implementing improved environmental practices Unit: Percentage	Winrock International and ISC	2000	57	61	61	65		70		75		80	
Intermediate Result 1: Eco-businesses in targeted sectors strengthened														
Number of eco-business associations strengthened	Definition: Number of eco-business associations strengthened Unit: Number	Winrock International and ISC	TBD ¹											
Number of eco-businesses participating in the eco-business associations	Definition: Number of eco-businesses participating in the Unit: Number	Winrock International and ISC	2000	0	1	1	3		5		7		9	
Number of businesses showing improved performance from USAID-supported practices	Definition: Number of businesses showing improved performance from USAID-supported practices Unit: Number	Winrock International and ISC	2000	0	22	22	48		68		88		108	

¹ This is a new indicator. Actual baseline data will be available in March 2002; targets will be set afterwards.

USAID/Russia Results Tracking Table, Environment, Strategic Objective 1.6[illegible]

USAID/Russia Results Tracking Table, Environment, Strategic Objective 1.6

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Percentage of forest fires caused by human action in five target areas	Definition: Percentage of forest fires caused by human action in five target areas Unit: Percentage	Winrock International and ISC	2001	80		80	79		78		74		70	
Number of hectares of defoliation in two regions ²	Definition: Number of hectares of defoliation in two regions Unit: Number	Winrock International and ISC	2001	<u>500,000</u> 70,000		<u>500,000</u> 70,000	<u>375,000</u> 20,000		<u>100,000</u> 5,000		TBD		TBD	
Number of regions adopting NRM practices	Definition: Number of regions adopting NRM practices Unit: Number	Winrock International and ISC	2001	1		1	3		5		7		9	
Intermediate Result 5: Public Participation to Improve Environmental Resources Management Increased														
Number of environmental education programs implemented by NGOs	Definition: # of environmental education programs implemented by NGOs Unit: Number	Winrock International and ISC	2000	170	184	184	200		215		230		245	
Number of NGOs adopting citizen advocacy programs	Definition: # of NGOs adopting citizen advocacy programs Unit: Number	Winrock International and ISC	2000	90	96	96	100		105		110		115	

USAID/Russia Results Tracking Table, Civil Society, Strategic Objective 2.1

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
			YEAR	VALUE	2001		2002		2003		2004		2005	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Strategic Objective 2.1: A more open, participatory society														
Citizen participation index	Definition: to be finalized with polling firm. Unit: index	Survey conducted by contracted polling firm	2001	TBD**										
Number of volunteers in selected regions	Definition: The percentage of survey respondents who have performed volunteer (unpaid) work for a noncommercial organization in the past year. <i>Data disaggregation: by age and gender.</i> Unit: Percentage of affirmative responses	Survey conducted by contracted polling firm	2001	TBD**										
Intermediate Result 1: Sources of non-state information that are accessible to the public increased and improved														
Level of public knowledge on certain given issues in selected regions	Definition: Percentage of survey respondents who are aware of the problems listed below. <i>Data disaggregation: by age and gender.</i> Unit: percentage of survey respondents	Survey conducted by contracted polling firm	2001	TBD**										
	-trafficking in person		2001	TBD**										
	-domestic violence		2001	TBD**										

** Data is not yet available for those indicators, which will be tracked with data from survey work. The baseline will be established from the survey carried out in 2002.

USAID/Russia Results Tracking Table, Civil Society, Strategic Objective 2.1

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
			YEAR	VALUE	2001		2002		2003		2004		2005	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Number of outlets using Internovosti	Definition: the # of media outlets that have used the <i>Internovosti</i> system to help prepare news broadcasts in the past year Unit: # of outlets	Internews	2000	164	180	180	200		220		240		260	
Citizen access to independent TV broadcasting in the regions	Definition: The percentage of citizens in selected regions who have access to non-state new and public affairs TV programming. <i>Data disaggregation: by age and gender.</i> Unit: % of citizens	Internews	1991	0	50	55	60		65		70		75	
Intermediate Result 1.1 Public Information Provided through NGOs Increased - no indicators														
Intermediate Result 1.2 Access to Legal Protection for Media Increased - no indicators														
Intermediate Result 1.3 Business, Professional, and Ethics Practices in the Media Sector Strengthened - no indicators														
Intermediate Result 1.4 Public Interest Information Available on the Internet Increased - no indicators														

USAID/Russia Results Tracking Table, Civil Society, Strategic Objective 2.1

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate Result 2: Civil society and advocacy institutions strengthened														
NGO/political party development index	Definition: to be finalized with polling firm. Unit: Index	Survey conducted by contracted polling firm	2001	TBD**										
Number of advocacy campaigns conducted by NGOs in selected regions	Definition: The total # of advocacy campaigns conducted in the past year by NGOs polled. “Advocacy campaigns” for these purposes will be limited to a discrete set of actions which will include such items as letter-writing campaigns, public marches, media campaigns, and town hall meetings. The final list will be determined in cooperation with polling firm. Unit: Number of campaigns	Survey conducted by contracted polling firm	2001	TBD**										

** Data is not yet available for those indicators, which will be tracked with data from survey work. The baseline will be established from the survey carried out in 2002.

USAID/Russia Results Tracking Table, Civil Society, Strategic Objective 2.1

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate Result 2.1 Cooperation between NGOs, Government, and Business for Public Purposes Increased - no indicators														
Intermediate Result 2.2 Citizens’ Interests More Efficiently Represented - no indicators														
Intermediate Result 2.3 Financial, Organizational, and Outreach Capacity Increased - no indicators														
Intermediate Result 3: Democratic Culture for Citizen Participation Strengthened or “Sense of Civic Responsibility Increased”														
Scale of democratic values and practices	Definition: to be finalized with polling firm. Unit: index	Survey conducted by contracted polling firm	2001	TBD**										
Intermediate Result 3.1 Civic Education Programs for Youth Improved - no indicators														
Intermediate Result 3.2 Patterns of Volunteerism, and Charitable Giving Strengthened - no indicators														
Intermediate Result 3.3 Number of Citizens Participate in Direct Action Activities Increased - no indicators														

** Data is not yet available for those indicators, which will be tracked with data from survey work. The baseline will be established from the survey carried out in 2002.

USAID/Russia Results Tracking Table, Rule of Law, Strategic Objective 2.2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
			YEAR	VALUE	2001		2002		2003		2004		2005	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Strategic Objective 2.2: Legal Systems Strengthened														
Diversity of cases brought	Definition: Number of new issues that become the subject of decision by the courts annually (e.g. suits against government, domestic violence, environmental harm, etc.) Unit: Number of new issues brought	AID-funded polling of selected judges and lawyers in targeted regions. Other sources that conduct such polling	2001	TBD ¹										
Poll results on public and professionals' confidence in legal procedures	Definition: Share of the Russian population that trust the judiciary Unit: percent of population	AID-funded public polling. Other sources that conduct such polling	2001	35%	N/a	35%	40%		45%		50%		55%	
Intermediate Result 1: Public awareness of legal rights Increased														
Citizens' awareness of legal rights (as reflected by public opinion polls)	Definition: Share of the Russian population that say judicial authorities are the first place they will turn to if their rights are violated Unit: Percentage of population	AID-funded public polling. Other sources that conduct such polling	2001	33%	N/a	33%	38%		43%		48%		53%	
Intermediate Result 2: More lawyers skilled in representing clients														
Number of legal clinics participating in the program whose students take cases to the courts	Definition: Number of legal clinics receiving direct or indirect USAID assistance whose students take cases to the courts Unit: Number of legal clinics	Implementers	2001	13 ²	N/a	13								

¹ As a result of the revision of the framework for SO 2.2 and the development of new indicators, much of the baseline data for these indicators is also new, and in some cases still being established.

USAID/Russia Results Tracking Table, Rule of Law, Strategic Objective 2.2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
			YEAR	VALUE	2001		2002		2003		2004		2005	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate Result 3: Judicial system more transparent, independent and efficient														
Number of model procedures being used in pilot courts and replicated	Definition: Number of new case management or other court administration practices adopted by pilot courts or otherwise Unit: Number	Implementers and Russian judiciary	2001	TBD ³										
Number of sources publishing judicial materials and decisions (books, Net, etc.)	Definition: Number of decisions, policies, procedures of courts and other judicial bodies (e.g. Qualifying Collegium, Judicial Department, etc.), which are published (in paper or electronic form) and thus made accessible to either the public at large or to the relevant audience (e.g. all qualifying collegia in RF) Unit: Number of new sources of information (e.g. published volume of court decisions, new kinds of legal databases) made available	Implementers and Russian judiciary	2001	TBD ⁴										

² Assessment report provided to the Mission on December 20, 2001 provided much of the baseline data.

³ Pilot Court program which current judicial contractor is initiating, will develop several procedures related to case management and information tracking.

⁴ The data will be available from Implementers reports and the review of Russian judiciary publications.

USAID/Russia Results Tracking Table, Rule of Law, Strategic Objective 2.2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
			YEAR	VALUE	2001		2002		2003		2004		2005	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Uniform ethical norms are adopted and used	Definition: The Code of Ethics of the Russian Judge is better defined and examples of its applications in specific cases are disseminated to the local qualifying collegia which must apply it Unit: number of authoritative sources of how to apply the Code of Ethics that are distributed to Russian judges and qualifying collegia	Implementers and Russian judiciary	2001	TBD ⁵										

⁵ The data will be available from Implementers reports and the review of Russian judiciary publications.

USAID/Russia Results Tracking Table, Local Governance, Strategic Objective 2.3

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Strategic Objective SO 2.3: Local governance made more responsive and accountable														
Citizen satisfaction with local governance performance	Definition: TBD Unit: TBD	TBD	TBD	TBD										
Intermediate Result 1: Local governments more effective in managing resources														
Number of local governments that use strategic planning as a tool for economic growth	Definition: Number of local governments that use strategic planning as a tool for economic growth Unit: Number	Institute for Urban Economics -IUE	2001	10	N/a	10	12		14		15		18	
Percentage of own-source revenues increase for local governments in targeted regions	Definition: Percentage of own-source revenues increase for local governments in targeted regions Unit: Percentage	Institute for Urban Economics -IUE	2001	TBD ¹	N/a	0	0		0		100 ²		200	
Intermediate Result 1.1: Local officials more knowledgeable and skilled in democratic governance														
Number of local administrators trained	Definition: Number of local administrators trained Unit: Number	Institute for Urban Economics – IUE and Association of Siberian & Far Eastern Cities	2001	10,000	N/a	10,000	11,250		12,500		13,750		15,000	

¹ IUE currently developing data on this indicator

² Until the new intergovernmental revenue system comes into operation in 2004, local governments are not expected to increase their own source revenues significantly. In 2004 and thereafter, substantial percentage increases should occur.

USAID/Russia Results Tracking Table, Local Governance, Strategic Objective 2.3

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
			YEAR	VALUE	2001		2002		2003		2004		2005	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Member services offered by municipal associations increase	Definition: Percent increase of member services offered by municipal associations Unit: Percentage	Institute for Urban Economics/ IUE and Association of Siberian & Far Eastern Cities	2001	100%	N/a	100%	130%		150%		180%		200%	
Intermediate Result 1.2: Local financial management practices are improved														
Number of local governments that use quantitative analysis in budget decision-making	Definition: Number of local governments that use quantitative analysis in budget decision-making Unit: Number	Institute for Urban Economics -IUE	2001	30	N/a	30	36		45		55		65	
Intermediate Result 1.3: Local policies and procedures developed and adopted to stimulate economic growth														
Number of local governments that adopt policies and procedures that promote active private real estate markets	Definition: Number of local governments that adopt policies and procedures that promote active private real estate markets Unit: Number	Institute for Urban Economics -IUE	2001	10	N/a	10	11		13		15		17	
Intermediate Result 2: Local governments operate in sustained partnership with their communities														
Number of local governments with active programs for public participation in budget and resource allocation decision-making processes	Definition: Number of local governments with active programs for public participation in budget and resource allocation decision-making processes Unit: Number	Institute for Urban Economics -IUE	2001	1	N/a	1	3		5		6		6	

USAID/Russia Results Tracking Table, Local Governance, Strategic Objective 2.3

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate Result 3: Equity, effectiveness, and efficiency in the delivery of goods and services increased														
Number of local governments in selected regions that adopt means-testing in the targeting of social services	Definition: Number of local governments in selected regions that adopt means-testing in the targeting of social services Unit: Number	Institute for Urban Economics -IUE	2001	2	N/a	2	4		7		10		12	
Number of local governments in selected regions that introduce competitive procurement practices in the delivery of social goods and services	Definition: Number of local governments in selected regions that introduce competitive procurement practices in the delivery of social goods and services Unit: Number	Institute for Urban Economics -IUE	2001	4	N/a	4	6		9		12		15	
Number of local governments in selected regions that increase the level of cost-recovery for communal services	Definition: Number of local governments in selected regions that increase the level of cost-recovery for housing and communal services Unit: Number	Institute for Urban Economics -IUE	2001	0	N/a	0	10		15		18		18	
Intermediate Result 4: Functioning of Local Governments Strengthened by Legal Environment														
Number of federal and regional policies enacted that support market-oriented economic growth at the local level	Definition: Number of federal and regional policies enacted that support market-oriented economic growth at the local level Unit: Number	Institute for Urban Economics -IUE	TBD	TBD		TBD	TBD		TBD		TBD		TBD	

USAID/Russia Results Tracking Table, Health, Strategic Objective 3.2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Strategic Objective SO 3.2: Use of Improved Health and Child Welfare Practices Increased														
Percentage of total population in Russia with access to international approach for tuberculosis treatment and control	Definition: Percentage of total population in Russia with access to internationally recognized approach to tuberculosis treatment and control Unit: Percentage	World Health Organization annual publication "Global Tuberculosis Control"	1996 1997 1998 1999 2000	2.3% 2.3% 5.0% 5.0% TBD	11%		16%		21%		26%		31%	
Percentage of youth in demonstration sites practicing healthier behaviors to prevent HIV infection	Definition: Percentage of youth in demonstration regions reporting condom use in last sex act with non-regular partner in selected sites: Saratov(A), Samara (B) Unit: Percentage	Knowledge, attitudes and practices survey reports	2000 2002	(A) 64% (B) TBD		N/A	(A) 75% (B) TBD		N/A		A: TBD B: TBD			
Abortions rates in demonstration sites	Definition: Women at age 15-49, who terminate a pregnancy by abortion in demonstration sites Unit: Number per 1,000 of women	Ministry of Health official data	2000	TBD ¹										
Number of children at risk of institutionalization remaining in family care in demonstration sites	Definition: Number of children reached by child welfare services initiated by USAID’s program, cumulatively in thousands Unit: Number	Grantee reports and records	1999	0	5	9	10		12		13		15	
Intermediate Result 1: Access to more effective primary health care (PHC) services increased														
Number of new services adopted by PHC providers	Definition: Number of new services adopted by PHC providers Unit: Number	PHC partnership reports	2001	TBD		TBD	5		10		15			

¹ This is a new indicator. Baseline actual data and targets will be available later.

USAID/Russia Results Tracking Table, Health, Strategic Objective 3.2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
			YEAR	VALUE	2001		2002		2003		2004		2005	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Number of Baby Friendly Facilities certified	Definition: Number of Baby Friendly Facilities certified: AID supported cumulative/ National cumulative Unit: Number	Contractors reports and records	1995	0/0	N/A	7/75	10/ TBD		TBD ²					
Intermediate Result 1.1: Use of evidence-based practices in women/infant's health and non-communicable chronic diseases increased - no indicators														
Intermediate Result 1.2: Quality improvement methodologies applied to primary health care - no indicators														
Intermediate Result 1.3: Health financing redirected to primary health care (other donors) - no indicators														
Intermediate Result 2: Improved prevention and control practices adopted to reduce the spread of HIV/AIDs, TB and STDs														
Tuberculosis treatment success rate in pilot sites	Definition: Treatment success rate= (sputum positive patients cured + sputum positive patients completing treatment / total number of sputum positive patients starting the treatment course). Pilot sites are: Orel – A Ivanovo – B Vladimir – C Pskov – D Chuvashia – E Unit: Percent	Program reports (e.g., WHO, CDC, IFRC reports)	1998	A ⁴ ~70%		A: 75% B: 75% C: 70%	A: 80% B: 75% C: 75% D: 70%		A: 80% B: 80% C: 75% D: 75% E: 70%		A: 80% B: 80% C: 75% D: 75% E: 75%		TBD	
			1999	A: 75% B: 58%										
			2000 ³	A: 75% B: 75%										
Number of condoms sold in demonstration regions	Definition: # of socially marketed condoms sold in demonstration regions, annually in thousands, (A) Saratov, (B) Samara Unit: Number	Activity reports based on distributor reports	2000	(A) 0	(A) 100	(A) 100	(A) 200		(A) 400		(A) 500		TBD	
			2001	(B) 0	(B) N/A	(B) N/A	(B) 200		(B) 400		(B) 500			

² Current activity is ending in 2003. New targets will be set up later in 2003.

³ Target, not actual, numbers are shown for 2000. Actual data will be available later.

⁴ Data not available for sites that were not yet operating

USAID/Russia Results Tracking Table, Health, Strategic Objective 3.2

PERFORMANCE INDICATOR	INDICATOR DEFINITION AND UNIT OF MEASUREMENT	DATA SOURCE	BASE LINE DATA		TARGETS AND ACTUAL RESULTS									
					2001		2002		2003		2004		2005	
			YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate Result 3: Demand for preventive health by individuals, communities and decision-makers increased														
Number of oblasts implementing new health prevention programs	Definition: Number of oblasts implementing new health prevention programs, cumulative Unit: Number	Activity reports	2002	TBD										
Intermediate Result 3.1: Awareness of preventive health care benefits increased														
Number of media campaigns undertaken to promote preventive health care models	Definition: Number of media campaigns undertaken to promote preventive health care models Unit: Number	Activity reports	2002	TBD										
Intermediate Result 3.2: Capacity to mobilize for preventive health increased														
Number of communities with active health committees	Definition: Number of communities with active health committees Unit: Number	Activity reports	2002	TBD										
Intermediate Result 3.3: Multi-sectoral networks established to promote health - no indicators														
Intermediate Result 4: New child abandonment prevention models implemented														
Number of administrations adopting new child welfare models	Definition: Number of administrative bodies at four levels (institution, local, regional and federal) changing child welfare by-laws and policies Unit: Number	Program reports	1999	0		10	15		30		50		60	
Number of child welfare service providers implementing new models in selected regions	Definition: Number of government and non-governmental organizations that provide new child welfare services in selected regions Unit: Number	Program reports	1999	0		80	90		100		150			

Annex E. Gender Assessment

I. Background

To build upon existing programming and current activities in the country, USAID/Russia is instituting a strategy that better reflects the key role of gender in the achievement of its goals and strategic objectives. To accelerate that process, a full-time Gender Advisor (a limited-term Investing in Women in Development fellow) has been providing technical assistance to the Mission since mid-2001. As part of the strategy amendment process, the Gender Advisor and an outside consultant, began a gender assessment of USAID's portfolio and strategic framework. The assessment will continue during 2002, as the Gender Advisor works with each technical office and develops further the Mission Gender Working Group. Below are excerpts from the gender assessment, including the conceptual framework, gender integration activities and a programmatic analysis of important differences by gender and related variables.

II. Conceptual Framework

The Gender Assessment was developed within the framework of the following documents:

- 1996 USAID Gender Plan of Action¹ and Automated Directive System (ADS)
- Mainstreaming Gender: More Effective and Better-Targeted Development²
- USAID/Bureau for Europe and Eurasia's Strategic Framework³

The last states that "gender considerations are being integrated into United States foreign policy interests and USAID program in order to ensure equal access and opportunities, equal rights, and equal protection in its assistance programs." The strategic framework notes that "integrating gender considerations will accelerate and strengthen the economic and political reform process." The assessment reflects the following terminology:

Gender is "the economic, social, political, and cultural attributes and opportunities associated with being male and female."⁴

Gender Integration means "taking into account both the differences and the inequalities between men and women in program planning, implementing, and assessing."⁵

¹ USAID Gender Plan of Action, March 1996. Available at the website: www.usaid.gov/pubs/ads/200/gplana96.pdf.

² Estes, Valerie. USAID/E&E Bureau Gender Advisor, *Mainstreaming Gender: More Effective and Better-Targeted Development*, March 2001. (Annex C)

³ USAID/Bureau for Europe and Eurasia's From Transition to Partnership: A Strategic Framework for USAID Programs in Europe and Eurasia, December 1999. Available at the website: http://www.usaid.gov/regions/europe_eurasia/eeresources.html#strategies.

⁴ Development Assistance Committee (DAC) Guidelines for Gender and Equality and Women's Empowerment in Development Co-operation, Organization for Economic Co-operation and Development, Paris, 1998.

Gender Analysis is the methodology applied to development problems to identify and understand the dimensions and relevance of gender issues and gender based constraints. Analysis includes understanding the differences between men's and women's roles, rights and opportunities.⁶

Mainstreaming gender means analyzing and adjusting, where appropriate, for potential gender differences throughout the planning, implementation, monitoring and evaluation of all programs and activities. Our assessment shows that including gender considerations will result in more effective and efficient development.

III. Gender Integration

On an ongoing basis, gender considerations are being integrated into all activities; ensuring that both men and women benefit from USAID support and that institution-building is based on gender-aware policies. Data collection and survey techniques will be used to ensure that both men and women are participating in activities, and that their interests and concerns, including gender issues, are reflected when developing policy. Specifically, USAID will provide technical assistance to conduct economic and other analyses, training, dissemination of information, policy reform coordination meetings, workshops and similar fora for bringing interested parties together.

USAID also plays an active role in the Embassy's Interagency Women's Issues Working Group, which promotes cooperation among U.S. Government (USG) programs in Russia, albeit only on women's issues.

IV. Important Differences by Gender and Related Variables

To analyze gender differences in Russia, we have drawn on a variety of sources, including data collected by the Government of Russia, reports from several United Nations agencies, assessments by other donors and various Russian research sources. We also have considered gender assessment materials prepared by and for the Mission in 2001. Finally, we have made use of gender-disaggregated data collected and reported by the USAID/Russia-funded Russia Longitudinal Monitoring Survey, the Moscow Helsinki Group's annual "Human Rights in the Russia Regions" reports, and analyses of public opinion polls by the Women's Consortium and the Moscow Center for Gender Studies.

Business Development. Women's business ownership lags, except in micro-business, where women dominate among shuttle-traders selling wares at outdoor kiosks. Although accurate data is not available, both women and men working in business support institutions, financial institutions and businesses acknowledged that women-owned businesses are usually at the

⁵ *A Guide to Gender Integration and Analysis: Annex to ADS 200 Series.* The paper is currently being finalized and will be available in the next few months on the USAID's website.

⁶ Ibid.

smaller end of small businesses. According to our Business Climate Survey⁷, only one-in-four top-level managers and only one-in-six business owners are women. The Survey found that Russian women are “very poorly represented in the business community,” especially as senior managers and business owners. It is difficult to interpret and make any conclusions based on the information provided because the data were not disaggregated further by size.

Women- and men-owned businesses in Russia have many similar problems including an uncertain legal environment, lack of access to capital and an untrained workforce. However, the gender assessment found additional issues for some women in business:

- **Lack of Networking Opportunities:** Because of their responsibilities within the home and traditional gender roles, women do not generally have the same access to formal business associations or informal networking.
- **Lack of Time:** As noted above, most Russian women have responsibilities within the home, including child/elder care. The time needed to fulfill these responsibilities may prohibit a woman from participating in association meetings, training courses or advocacy roundtables.
- **Perception of Risk Aversion:** Some loan officers and consultants within Business Support Institutions believe that women business owners are less likely to take risks. As a result, some business consultants and lending institutions push women business owners toward group lending and smaller loans. This perception may restrain the growth of women-owned businesses.
- **Inherent Bias Against Women Business Owners:** A number of people interviewed provided examples of bias against women business owners when dealing with banking institutions and business associations, and within the business community. Women made general comments about not feeling welcome in business association meetings and about the bias of loan officers.

Our business development program targets small and medium-size enterprises (SME) and will continue to push for lending and business support services to women business owners (at a minimum in proportionate representation to their overall representation in business); improved outreach to women agricultural borrowers through the agricultural credit cooperatives; and increased participation of women and women-owned businesses in business associations.

Additionally, the gathering and analysis of sex-disaggregated demographic information on micro, small and medium-size businesses will allow us to better identify the beneficiaries of our activities. Understanding the issues, integrating gender considerations and monitoring are key components in mainstreaming gender and achieving the best results.

Economic Policy. A few USAID-funded think-tanks integrate gender into their work, especially in pension reform where Russian demographics have significant implications (see Health, below). Research by the Independent Actuarial Information-Analytical Center benefited from the expertise of one of its senior researchers, Marina Baskakova, who is also a researcher for the

⁷ Business Climate Survey dated 6/22/01.

Moscow Center for Gender Studies and who has completed studies on gender and pension reform, including “Gender Aspects of Pension Reform in Russia” for The World Bank.⁸

In the financial sector, it is often presumed that activities are gender neutral — meaning that there are no differences between women and men’s roles, rights or opportunities associated with individual activities and their results.⁹ However, in recent years, many analyses are showing otherwise. For example, gender differences in job opportunities, wages, benefits, life expectancy, mortality and morbidity can have major implications for economic policy. Many of our think tank activities are influencing fiscal policy by producing papers used by government policymakers. By not treating potential gender differences, these papers could create policies and law that adversely affect women or men. The area of financial sector reform and gender is relatively new. It is important for us to continue to educate ourselves and our implementing partners on potential gender considerations within this sector. Through education and awareness building, fiscal policy reform will create more equitable results for women and men.

Local Governance. In general, women are more active in local government and especially dominate the social services sector. And, with the noted “feminization of poverty,”¹⁰ — the overwhelming majority of single-parent families and pensioners women — the clientele of these local government programs are predominantly women (and their children). Our local governance activities have integrated gender considerations from the design stage, recognizing the significant impact that local policy decisions can have (e.g., the amount and distribution of benefits for pensioners or single parents when the overwhelming majority are women). Starting in 2002, the Institute for Urban Economics, our implementing partner, will provide comprehensive gender training to its entire staff as well as targeted training on specific gender issues for its economic policy advisors.

⁸ Baskakova, Marian. “Gender Aspects of Pension Reform in Russia” in *Making the Transition Work for Women in Europe and Central Asia*. The World Bank. Washington. D.C., 2000. Available at the website:

http://www.gender.ru/english/gender_aspects_of_pension_reform_in_russia.html

⁹ In the Bridge Development Report No. 48 “Glossary on Macroeconomics from a Gender Perspective” by Patricia Alexander with Sally Baden, it stated that economists, traditionally, writing about the financial sector assumed that this sector was gender neutral. February 2000

¹⁰ UNDP, *Human Development Report 2000*

Health.¹¹

	Aggregate	Male	Female
Life Expectancy	65.27	59.0	72.2
Mortality (per 1000)	15.4	17.4	13.6
Suicide*	50.2	87.6	11.6
Cancer Death*	88.3	113.2	62.6
Alcohol Poisoning Death*	34.3	55.1	12.7
Tuberculosis Infection**	90.4	146.8	40.7
HIV/AIDS Infection***	410.3	78%***	22%***

* per 100,000 working age people

** new infections per 100,000 people

*** per 100,000 citizens of Russia tested as of 30 June 2001 (for 2000, rate was 243.2); gender-disaggregated percentages are based on registered HIV-infection cases

In the Russian Federation there is a 13-year gap in life expectancy between men and women, the largest gender gap in the world.¹² The gap, which has remained relatively constant for the last decade, is a critical consideration for economic policy, such as pension reform, because statistically only women live long enough to collect a pension. Infant and maternal mortality remain high at 16.9 per 1000 and 44.2 per 100,000 live births, respectively. Mortality and reproductive health data have implications for policymakers concerned about the destabilizing effect of negative population growth.

The leading causes of death are cardiovascular diseases and accidents (including traumas, poisoning, suicide, and murder). For working-age men, the major causes of death are cardiovascular diseases, cancer, respiratory diseases and tuberculosis; for working-age women, cardiovascular diseases and cancer. In most cases, such as tuberculosis and HIV/AIDS, male morbidity rates are higher than those of females.

Our health portfolio, although constrained by limited funds, addresses these high rates of male morbidity and mortality. The tuberculosis program has interventions targeted to an infected population that is predominantly the male. The HIV/AIDS program includes the social marketing of condoms to young people in general and to injecting drug users, who also are predominantly male.

The amended health strategy plans greater emphasis on prevention to address Russian men's high morbidity rates. The Russian government and other donors have begun focusing on these issues, as evidenced by an anti-smoking campaign targeting youth, Aeroflot's limited smoking ban, and a government program on hypertension.

¹¹ Based on Russian government health statistics for 2000, except as indicated.

¹² UNDP, *Human Development Report 2000*

Various researchers have pointed to alcohol consumption as a key factor in high mortality rates. Some declines in male mortality have been traced to alcohol prevention campaigns, such as those of the late 1980s under President Gorbachev. Our activities will include similar behavior change communication to improve life styles (and potentially improve statistics on cardiovascular disease and trauma, since many accidents and homicides are linked to alcohol abuse). Also, there are important consequences for infant health as a result of women who drink during pregnancy that some of our health initiatives also target.

The health program will expand the replication of successful technologies for improving women's reproductive health.

Civil Society. Women are active voters, but they are under-represented in political parties and elective office. According to a recent analysis of weekly opinion polls,¹³ women in Russia are less aware of current events and show less commitment to fundamental concepts of democracy (e.g., freedom of speech, political pluralism, market economy, freedom of conscience) than do men. Our democracy program will continue women's leadership activities to encourage more women to participate in political party-building and to promote women's rights in Russia.

Although accurate statistics are not available, it is estimated that women dominate the NGO sector in the social sphere and men in the political, business, and religious spheres. Moreover, young women are far more active than young men in NGOs. Coupled with the overall rise in crime, drug addiction and related health problems like HIV/AIDS and tuberculosis among male youth, USAID/Russia's NGO activities in the democracy, business, health and environmental portfolios will seek out opportunities to increase male participation. We will continue to monitor this seeming division of civic activity and promote more diversity of participation.

Domestic violence and trafficking in persons predominantly affect women in the Russian Federation. Although accurate statistics do not exist, it is estimated that up to half of the adolescent and adult female population is affected by one or both of these problems. Limited information is available on the extent to which either problem affects men and/or boys in Russia.

In response to the domestic violence problem, we will continue to support women's crisis centers, to give more women access to information and services. The gender law program will promote ongoing efforts for legal reform in the domestic violence area.

Russia is currently designated a "Tier 3" country in the USG Trafficking in Persons Report, primarily because there is no Russian law to criminalize the problem. USAID/Russia committed substantial resources in Fall 2001 to a 3-year program to provide young women at risk for trafficking with job skills and training and to expand public awareness of the problem. USAID's program is part of Embassy-wide efforts through the Law Enforcement Section, Public Affairs and the Department of Labor and is paralleled by other donors' work to address the problem of trafficking in persons as comprehensively as possible.

¹³ The Consortium of Women's Nongovernmental Associations, *Russian Women at a Rendezvous [sic] with Democracy*, Moscow 2001

Annex F. Youth Assessment

I. Background

Currently, USAID/Russia provides limited technical assistance explicitly for youth in Russia. Instead, pockets of activity emerged in its program that drew in, or drew upon, the participation of younger generations in Russia. Such activities were typically created, however, in the context of furthering other stated objectives, such as strengthening markets or building democratic institutions or improving health.

Past decisions not to focus heavily on youth were consistent with widely held assumptions at the time of the break-up of the USSR: young people had neither significant exposure to nor knowledge of the political ideology of communism and central economic planning. On the contrary, they grew up during Mikhail Gorbachev's *Perestroika* and *Glasnost*, significant policy shifts that called for transparent dialogue about the mistakes of the past. Given that environment surrounding their formative years, young people were expected to be the most resilient to change, the least likely to suffer, and the most likely to embrace market and democratic structures modelled after those in the West.

Ten years later, data trends and anecdotal information challenged the assumptions of the early nineties and provoked a fresh examination of the status of youth. Explicit concerns for the "next generation" were voiced during the Spring 2001 Assistance Review, noting that "the post-Soviet generation will dominate Russian institutions and society 15-20 years from now." In response, USAID/Russia is re-examining the extent to which its programs can or should strategically target youth.

In December 2001, a small team lead by Elizabeth McKeon, a Labor Markets Specialist for USAID/Europe and Eurasia Bureau (E&E), reviewed options and proposed specific actions USAID/Russia can take in its programs either to mitigate problems faced by youth or to assist young people in taking better advantage of opportunities available to them. Below are excerpts from that analysis and a summary of its main recommendations.

II. Issues Affecting Youth in Russia

A. Defining Youth

Most western researchers define youth as the cohort between the ages of 15 and 24. The justifications for doing so run the gamut from philosophical to developmental to pragmatic:

- This demographic best captures the generation straddling childhood and adulthood
- Adolescence is firmly under way even for the youngest in this group, making it possible to track patterns in adolescent experience, such as sexual activity
- It combines the years of obligatory and optional school age

Many in this group are on the verge of entering the labor market, offering a valuable way to juxtapose their success in finding jobs against their preparation to join the workforce; For the researcher, data gathering is easier and more likely to be empirically valid because it conforms to five-year cohort groupings used in census formats.

Additional reasons specific to Russia make it desirable to look at this age group:

- Those under the age of 25 had no significant exposure to the Soviet education system. If anything, they were more likely to have been educated during a period of flux and experimentation, making it important to compare the experiences of those who left or completed secondary, college or post-graduate education
- There are more than 49 million Russians under the age of 25 (one-third of the total population)
- Those aged 15-24 constitute one-third of all Russian under age 35, making them a sizeable sample of whom those Russians might consider “youth”

Despite the degree of standardization and consensus among westerners, Russians have a much broader definition of youth. Even the terms youth (*molodezh* ') and young people (*molodye lyudi*) have different connotations in Russia, speaking more to social, economic, or professional status than to chronological age. In the most liberal rendering of the term, people will qualify as *molodye* as long as they are not *pozhiye* or *starye* (aging or old).

It is not uncommon for Russians to inject their attitudes or professional judgments when speaking about youth. A social worker in Russia might readily group pre-adolescents into definitions of youth, dipping as far down as age nine and ten. Others will make distinctions based on gender or occupation, revealing examples of age bias. For example, a woman who first gives birth at age 30 is seen as having waited too long and is no longer *molodoy*. By contrast, a man in business might not be taken seriously before the age 40 because he is still so *molodoy*. There is evidence that these cultural perceptions are shifting slightly as Russian society adapts to the demands of a market economy, but no one can truly say whether the change is uniform.

One reason for emphasizing the differing categorical interpretations of youth is to introduce a note of caution when reading and interpreting data, research findings, policy statements, and expert recommendations concerning Russia. As USAID/Russia continues to explore trends regarding youth, it will be important to keep some of these problems in mind:

Several prominent surveys on youth tended to query a broader age range than 15-24 and did not disaggregate responses consistent with western cohort breakdown, making it difficult to gauge the prevalence of opinions in the 15-24 age group.

When data were disaggregated, they were presented either by gender, region or age group but not all three. It was therefore difficult to judge how trends may have differed for young men and women in specific regions of Russia.

Government budgets, rarely available, aggregated spending across a range of programs for broad age groups, making it difficult to gauge either per capita spending on the 15-24 age group, or the emergence of specific programs responding to discrete age categories.

B. Demographics

Age Groups	Population Total: 146,001,000	47% of the population of Russia is under 35 years old (68.95 million) 18% are ages 0-14 15.6% are ages 15-24 13.5% are ages 25-34
00-04	6,561,000	
05-09	8,064,000	
10-14	11,840,000	
15-19	11,891,000	
20-24	10,876,000	
25-29	10,223,000	
30-34	9,497,000	

Whatever definition one uses for youth, it is important to note that “youth” cohorts constitute nearly half of the total population of Russia. Moreover, breaking down the numbers by five-year cohort suggests a different way to analyse youth trends. Consider, for example, the implications of statistics that claim that two million Russians between the ages of 20-24 are unemployed.

C. Conclusions from the International Youth Foundation 1998 Report

One of the most informative recent works on the status of youth in Russia was a study commissioned in 1998 by the International Youth Foundation (IYF), and conducted by four Russian social scientists.¹⁴ Substantively, the study produced valuable insights into the current problems youth face, gaining the attention of western foundations and within USAID. It is not clear whether it received as much attention from Russian policymakers and academics, although some interviewed during the December assessment meetings voiced concerns that are mirrored in the study. The repetition of these concerns also implied that the identified problems are still relevant nearly four years since the IYF study was completed.

The IYF report highlighted both current problems and vulnerabilities common among youth in Russia. It also noted some of the likely causes, such as the decline in state support and subsidies for institutions and facilities that serve the social and economic needs of youth. Below is a brief summary of main findings.

Problems among youth in Russia

Perils of non-engagement and idle minds — Youth today lack a sufficient number of leisure opportunities and subsidized recreational activities, which in turn explains why many more,

¹⁴ International Youth Foundation, *Policies, Programs, and Philanthropy for Children and Youth in Russia: An Overview*, 97pp.

especially teens, have turned to drugs, vandalism, and crime. The report says they are disengaged from their communities.

Cynicism born of ignorance — Youth in Russia on average think government is irrelevant, question authority and disrespect laws. At the same time, they have a vague idea of how laws and public institutions work to guarantee freedom, equality, social justice and social security. The source of their political apathy is a matter of speculation: reinforced at home, or unchallenged in the absence of civics curricula at schools, or some of both.

Overlooked connection between rights and responsibilities — While wanting complete freedom and rights, youth in Russia do not recognize their civic responsibilities. Cynicism toward the state is so strong as to justify an amoral approach to law (90 percent of 17 year olds think it is appropriate to use public transportation without paying; slightly less than 50 percent approve of bribe taking; and 60% approve of tax evasion).

Moral criteria supplanted for new criteria, success and failure — To most youth, success equals money, and they are untroubled by the method of obtaining it. Consider, for example, the contradictory notions of adulation for businessmen and the belief that they are immoral, merciless and dishonorable.

Insufficiencies of institutions and services underpinning youth culture

NGO sector unable to leverage successes and create sustainable networks — A near non-existent funding base threatens the future of NGOs and increases their already heavy reliance on foundation and bilateral aid agencies. They face significant challenges in obtaining new and sustainable funding, especially from local private sources.

Governments can do more to improve the enabling environment — NGOs effectively cooperate with local governments but at the national level the relationships are thin and dysfunctional. In addition, the government has not taken sufficient steps to replace the vacuum of recreational activities created by the closure of schools or clubs connected to former state-owned enterprises following privatization.

No new modes of dialogue with youth — Government and civic leaders do not solicit the participation of youth themselves when developing policies or programs on their behalf. This continuation of a patron-client relationship is seen as particularly detrimental to youth, and an obstacle to creative thinking on meeting the needs of youth in cost-efficient ways.

Russian companies and the wealthy do not invest strategically in youth — Although the early nineties saw a wave of corporate underwriting for concerts and sports events, these ventures were later viewed as tainted when the sources of money were revealed to have ties to illegal activities and the events to have been fronts for money laundering.

D. Recommendations for USAID/Russia

Some of the main recommendations made for potential future USAID/Russia programs are:

Check media reach: Reaching youth through media may have great potential, but we should carefully examine its assumptions which communications media most effectively reach youth

(internet, radio, television, other). It may be necessary to learn more by consulting with experts who track usage or by doing a quick study to test assumptions.

Follow the leaders: Several western foundations are well ahead of USAID in making key investments in youth in Russia. It would benefit us to consider opportunities, where possible, to initiate activities that complement worthwhile and effective foundation programs;

Leverage success with public information: One of the areas of deficiency for good youth interventions today is a lack of publicity. We might consider how carefully targeted public outreach and information campaigns, like those used in the health portfolio, might more generally break the stalemate of cynicism and motivate youth to take advantage of opportunities already available;

Consider a larger picture: The most innovative and potentially most effective programs for youth today are operated by non-profit NGOs. As with all NGOs in Russia, the greatest obstacle to improving and sustaining operations is the lack of tax-exempt status and tax relief to contributors. One of the greatest contributions we could make for youth is to resolve this issue, by advancing a legal and financial framework on sustainable funding and fundraising for the NGO sector.

Annex G. Biodiversity Assessment *

In recognition of the fact that the conservation of natural resources and biodiversity is a major global concern, the U.S. Government provides legislative guidelines for the protection of these resources. This biodiversity assessment for Russia addresses these guidelines as prescribed in the Foreign Assistance Act (22 CFR 216) and subsequent amendments (see Annex A, Sec. 117 and Sec. 119). This component of the Act requires USAID missions to review the needs for biodiversity conservation in the host country in the process of developing new country strategies, and describe how the activities proposed in the new plan meet the needs identified. USAID/Russia contracted Chemonics International Inc. through the Biodiversity, Sustainable Forestry and Climate Change IQC (BIOFOR) to fulfill this requirement by undertaking a biodiversity assessment for Russia.

The biodiversity assessments in Russia included two in-country missions in the fall of 2001. The team working on the assessment was comprised of two international specialists in natural resources management and a Russian biodiversity specialist. The team conducted an extensive document review and held a large number of interviews with a wide range of government and NGO biodiversity experts in Moscow, Khabarovsk, Vladivostok, and Samara. The team also visited zapovedniks, national parks and other protected areas where they learned of the challenges to biodiversity conservation.

The needs for biodiversity conservation are many in a country as large and diverse as Russia. These needs are described in several reports by international NGOs (e.g., WWF 2001) and the state government of the Russia Federation, including the 1997 national report to the Convention on Biological Diversity. Sectoral reports, such as the World Bank report on forestry (World Bank 1997) likewise identify major needs for biodiversity conservation. From these reports and interviews with experts, the assessment team identified the following biodiversity issues and needs of particular significance for USAID/Russia program planning:

- There is very high coincidence of pressure from new economic development and endangered biological diversity. The areas of greatest concern stretch across southern Russia, particularly the Northern Caucasus, steppe and steppe-forest of Southern European Russia and Southern Siberia, and the forests of the Southern Russian Far East. Rivers and wetlands in these same regions, including the Caspian, Azov, and Black Seas, and the Russia waters of the Pacific are also greatly threatened. These are the areas of
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♣ *Conservation of Biodiversity and Natural Resources: An Assessment of Obstacles and Opportunities in the Russian Federation.* Chemonics International Inc., Richard Warner, Eugene Simonov, David Gibson, January 2002.

greatest, most urgent need for biodiversity conservation and sustainable development in Russia.

- A significant part of the Russian economy is dependent on extraction of biological resources, particularly in Siberia and the Far East. International trade is an important component of the Russian biodiversity challenge, considering the enormous volume of timber and fisheries in Russia and the demand for these products in China and around the Pacific Rim. Unfortunately, many of these resources are being destroyed much faster than they are replaced, leading to economic and social instability, perhaps international instability, as well as loss of biological diversity. Hence, there is a significant need to improve management of biological resources, including sustainable development and protection of unique ecosystems and species.
- Government agencies overall are not meeting their basic responsibility for managing the public's natural resources. The federal agencies are apparently reducing their role in managing biodiversity, while the regional governments are increasing in this area. However, the overall trend is down, threatening biodiversity and economies dependent on biological resources. The federal agencies retain most of the legal authority regarding biological resources, hindering initiatives of regional and local government agencies. Illegal harvest and export of resources is robbing the government and the people of billions of dollars annually and in many place the resources base is being destroyed. There is a need to increase the value of biological resources and for the stewards of the resources — the government — to invest accordingly to maintain this value for generations to come.

The biodiversity assessment team finds that proposed programs of USAID/Russia will contribute to meeting biodiversity conservation needs in Russia:

- Biodiversity will benefit from programs to strengthen eco-friendly businesses. However, additional information is needed about how loans are being used by other business to ascertain the type or extent of effect they may have on biological resources. The team recommends that USAID/Russia evaluate the potential effects of programs to promote and help finance businesses in Russia.
- Programs to improve government policies toward business are unlikely to have significant direct effects on biological diversity, but have potential to bring positive changes to how biological resources are managed. For example, efforts of think tanks to strengthen environmental policy and promote transparency in general will provide a foundation for more specific work need in these areas regarding biodiversity.
- The environment programs will help to meet biodiversity needs in several ways. Promoting eco-friendly businesses may lead to improved management of non-timber forest products and increase the economic value of natural ecosystems. Reductions in environmental pollution will benefit biodiversity, particularly rivers and other aquatic ecosystems. The FOREST project provides several benefits to biodiversity. The forest

fire component contributes to the maintenance of mature forests. Likewise, the forest pest component helps to maintain forest ecosystems and, by reducing fuel levels, the frequency and severity of fires are also reduced. The forest pest program poses some secondary risks to biodiversity. The ROLL project was favorably viewed by virtually everyone the team met with. This program has provided significant benefits to biodiversity conservation in Russia and has the potential to continue doing so to the extent it is targeted to support biodiversity conservation NGOs.

- USAID's support to NGOs and public interest research groups will continue to help educate the public about their roles and responsibilities regarding biodiversity and increase public involvement in government decision-making.
- The rule of law programs indirectly help to meet needs regarding biodiversity policy issues by strengthening private sector review of environmental policy.
- Programs directed to local governance help to meet biodiversity needs in Russia by building local (municipal) government experience in environmental management and public participation in the process.
- The health program efforts to reduce environmental health problems will also provide a cleaner environment for other species.

USAID's overall contribution to Russian biodiversity in the past 10 years is substantial, though underappreciated. While the assessment team finds that the proposed new programs will contribute to meeting biodiversity needs in Russia, the expected contribution might be significantly less than was the case over the previous 10 years; starting in 2002, USAID/Russia no longer has a significant, standalone biodiversity program. The apparent decline in USAID's biodiversity program is noteworthy, given the colossal nature of biodiversity problems and opportunities in Russia, and the importance of biodiversity to the economy in significant parts of the country and internationally.

As an alternative to rebuilding a large, standalone biodiversity program, the assessment team has identified activities under USAID's proposed plan that might be modified to help meet significant biodiversity conservation needs in Russia. Moreover, the proposed integration of biodiversity issues into the Mission's general programs is the most promising approach to ensuring the existence of essential conditions for conservation, while meeting the overall objectives of social and economic stability.

The most essential recommendation is to take some of USAID's programs that have been successful with municipalities and replicate them at the scale of regions, where many of USAID's programs have the greatest opportunity to improve biodiversity conservation and help to stabilize societies and economies largely based on biological resources extraction. Components of a regional biodiversity initiative — founded on cross-cutting programs — might address the following:

- Help federal and regional government agencies reconcile the current mess regarding authority for managing biological resources, including how revenues are divided and resource management expenses met
- Help regional governments prepare regional land-use plans as a foundation for long-range fiscal and programmatic planning, monitoring of resource use, projecting the tax base, and zoning to support the value of land and resource concessions
- Promote fiscal transparency of the government's biological resources operations and public participation in deciding how their resources are managed
- Train enforcement officers, prosecutors, and judges in environmental laws and enhanced skills to successfully identify and prosecute offenses against biological resources
- Strengthen regional and local NGOs to help promote transparency and public participation

Examples describe how regional biodiversity programs might be structured in two regions where USAID already plans to concentrate programs in the next planning cycle: the Samara Oblast of the Volga Federal Administrative District, and in the Southern Russian Far East.

Annex H. USAID Achievements in Russia 1992 – 2002

Russia is a huge country. In no case does USAID fund self-contained activities that in themselves change Russian systems. Rather, we have played a facilitative role. We have helped provide innovative models for replication. We have helped Russian reformers weigh options and refine technical solutions and helped build analytic capacity to challenge outmoded national policies. And we, along with other donors, have supported Russian-led reforms.

In almost every continuing program area in Russia, USAID has determined through experimentation what works and does not work to support Russian institutions and initiatives. We have developed a cost-effective model of long-term cooperation that builds analytic and institutional capacity and strengthens political will. In many sectors, the results are clear, ambitious reform agendas that generate legislation and national policy change. The main areas of USAID historical achievements in Russia are:

- Establishing core institutions and systems for a market economy
- Formulating a new tax regime that supports economic growth and fiscal federalism
- Expanding rapidly the small and medium-size business sector and thereby the Russian middle class
- Developing and disseminating improved environmental policies and practices through Russian institutions
- Making the judiciary more independent and fair
- Building civil society and independent media in the regions as a democratizing and countervailing force
- Creating the legal basis for a private land, real estate and a housing market
- Reorienting health services toward quality primary health care, maternal and child health, and a focus on the HIV and tuberculosis epidemics

Core institutions and systems for a market economy are now in place. The banking sector now enjoys a strong payments system and international accounting standards (IAS) will be used in all commercial banks by 2004. Capital markets institutions, developed under the USAID Capital Markets Development Program, are now regulating the Russian securities market. USAID assistance was crucial in enabling key reformers to form a strong capital market structure based on the U.S. model. The key institutions include the National Association of Securities Market Participants, a regulatory system analogous to the U.S. National Association of Securities Dealers; the Russian Trading System (RTS) an over-the-counter trading system equivalent to the NASDAQ which handles Russia's trading in a clear and transparent manner; and the Federal Commission on Securities Markets (FCSM), a functional equivalent to the U.S. Securities and Exchange Commission (SEC). As a result of USAID's efforts, the FCSM now has a national network of offices that implement regulatory activities throughout the Federation and provide both guidance and enforcement to market participants at all levels.

On the overall process of economic reform, USAID- financed technical assistance gave birth to Russian think tanks, such as the Center for Fiscal Policy, and the Institute for Urban Economics — created by Georgia State University and the Urban Institute, respectively. These and similar institutions have proved to be essential links in providing the analytic capacity for policy analysis and legislation to drive reform movements forward on critical domestic issues.

A new tax regime has been created to support economic growth and fiscal federalism.

New tax legislation passed in 2000 and 2001 — drafts of which were prepared by a USAID-supported Russian think tank — sets a flat (13 percent) income tax rate and the lowest corporate profits tax (24 percent) in Europe. A USAID-created think tank, the Center for Fiscal Policy, developed recommendations and amendments to budget legislation that have helped decentralize revenue and resource allocation, reduce financial disparities and create a more equitable and transparent distribution of federal revenues among the regions, thus contributing to more financial independence for regional and local governments. Recent passage of the new land code and current consideration by the Duma of property tax legislation is attributable to USAID pilot activities begun in 1994 with regional governors focused on land registration, certification, zoning and property tax systems. Benefiting from this work, the Guild of Russian Realtors has grown rapidly and now trains real estate appraisers and includes national and regional associations, which continue to develop the real estate market in Russia.

The small and medium-size enterprise (SME) sector is growing rapidly and creating a larger, more politically active middle class, reflected by its growing share of gross domestic product, now up to 10 percent compared to six percent a few years ago. Recent legislation passed by the Duma and drafted by a USAID-supported think tank with the involvement of the bilateral Small Business Working Group, dramatically reduces licensing, registration requirements, and state inspections that constrain the formation of new businesses. Twenty-five percent of the economic production of the Moscow and St. Petersburg regions is attributable to SME activity. USAID assistance has created a successful “non-bank” credit model for small and micro enterprises, a large proportion of which are women-owned, that is being replicated by Russian institutions. The 120 USAID-supported Russian business support institutions have provided high quality professional consulting and business services to over 25,000 businesses in Russia.

Russian institutions are now driving the process of strengthening environmental policies and practices. USAID assistance from 1993-97 built a network of regional organizations and institutes — involving government, NGOs, businesses and universities — that cover almost 90 percent of Russia’s territory. This network is now disseminating improved environmental practices and methodologies for forest management, upgraded environmental health and economic opportunities. We have strengthened the Russian Forest Service across the board and helped develop a new forestry management code adopted by local dumas that covers 70 percent of the Siberian forests. A more efficient and productive tree seedling system with sufficient transportation and storage facilities has quadrupled seedling production and led to reforestation exceeding timber cut in one of the three major Siberian forest regions. Improved forest fire fighting capability and a new pest monitoring system is reducing the threat to the U.S. forest

industry of trans-border spread of the dangerous Siberian Moth. The environmental health risk methodology introduced by USAID, in which over 600 professionals have been trained and a medical university curriculum introduced, has reduced the health threat from environmental pollution in 26 cities and will improve the lives of the 40 million Russians who live in environmentally dangerous areas. For environmental advocacy, we have built a sustainable network of over 100 Russian NGOs who now influence governments in key regions and at the federal level. In business, we have introduced industrial environmental audits as tools for meeting international environmental standards. And we have helped 150 eco-businesses in the Far East expand job opportunities for people who live in forest areas through expansion of eco-tourism in protected areas and businesses focused on non-timber forest products (like wild mushrooms), secondary wood processing and new uses for timber waste products.

The judiciary today is substantially more independent and fair than it was 10 years ago, largely because of USAID-facilitated relationships with the Administrative Office of the U.S. Courts, the U.S. National Judicial College, the Federal Judicial Center, and the Judicial Conference of the U.S. Major legislation — such as the 1996 Constitutional Law on the Judicial System, the 1998 Law on the Judicial Department, and new Civil and Criminal Procedure Codes, the latter enacted in 2001 and which elevates the status of the judiciary and mandates jury trials nationwide in serious criminal cases by 2003 — were all drafted by Russian judicial reformers who were influenced by the American model to which they were exposed by USAID and other U.S. Government programs. The decision for nationwide jury trials for criminal cases owes much to the experience from pilot programs begun in 1993 with USAID assistance in nine regions. Through USAID efforts, the Russian Academy of Justice, charged with training judges, is now including ethics in its curriculum for the first time. In addition, USAID-assisted commercial courts, Internet postings of court decisions, initiatives on judicial ethics and a new model of clinical education, which is reshaping the training of lawyers to emphasize practical experience as advocates, have made the legal system more accessible to ordinary Russians and are changing the way the law is administered.

Civil society is expanding in scope and influence. Supported by USAID and other donors, the numbers and influence of civil society organizations have grown exponentially since their legal framework was created in 1993. Russia's 65,000 NGOs serve over 20 million people and employ 1 million. The USAID-supported Moscow-Helsinki Group's network of human rights monitors reports annually on the human rights situation in Russia's regions. USAID also supports the efforts of Russian activists and organizations to resolve violations in domestic violence, ethnic harassment, and trafficking of women and children. We have created 30 NGO Resource Centers and new models of public-private partnership, like community foundations, which have built strong NGO capacity to foster and focus citizen participation advocacy to influence government policy at all levels. The existence of more than 500 independent regional television stations, many of them over 10 years old, supported by Internews with USAID financing, has changed the face of regional broadcast journalism by providing alternatives to state-run media and local information important for people's lives. Various institutions created with USAID support have become important contributors to Russian civil society, including

IESD, and the VOICE network, which monitor federal elections over much of the country in 2003-2004.

Improved policies on housing, real estate, communal and social services are setting the stage for more responsive local governance. Based on USAID cooperation since 1992, the Russian government has developed and adopted policies that support the institution of local governance and provide the basis for sustainable urban economies. These include creation of a legal basis for local self-governance, development of privatized housing and urban real estate markets, nation-wide means-testing of housing subsidies, and introduction of homeowners' associations that give individuals greater control over their quality of life. Four USAID pilot cities have recently adopted means-tested targeting of social benefits and competitive procurement with NGOs to deliver services to the community. As 60 percent of the national housing stock was privatized, USAID pioneered a mortgage finance system with a group of banks that has opened the way for other lenders, such as Delta Capital that manages the USAID-funded U.S.-Russia Investment Fund, to take advantage of this developing market.

USAID's technical cooperation has also resulted in major legislation and national policies on urban planning and land ownership and use. Because USAID's initial work on housing and communal services was so successful, we are expanding cooperation with local governments to increase transparency and widen public participation in resource allocation, priority setting, and problem-solving — concepts unheard of only a few years ago. A centralized system is being replaced by a more pluralistic regime in which legislative assemblies, private businesses and citizens groups have significant influence. At the local level, cities are moving to increase cost-recovery in their housing and communal services, currently 50 percent of most municipal budgets, so that more resources are available for other social services. The USAID-assisted city of Cherepovets is the first Russian city to achieve the goal of full cost-recovery for these services.

In a major USAID foreign policy achievement related to housing, the \$148.5 million Russian Officer Resettlement Program contributed to the U.S. foreign policy objective of withdrawal of all Russian troops from the Baltic States. This objective was met in August 1994. The housing voucher and construction components of the Resettlement Program, under which USAID provided certificates with a monetary value enabling developers to complete houses for retiring military officers, was a necessary condition for troop withdrawal from the Baltic States. The voucher component was completed in December 1995 with 2,440 units delivered, and the construction component was completed in January 1998 with 2,325 units delivered. Ultimately, the U. S. provided a total of 4,765 housing units housing 15,200 people to resettle demobilized Russian military officers. The housing voucher model was subsequently adopted by the Russian Government for all retiring military officers in Russia and has been used by USAID/Armeniya for resettlement of earthquake victims and by USAID/Kosovo for people whose homes were destroyed in the recent Serbia/Kosovo conflict.

Health systems and approaches are becoming more evidence-based and cost-effective. USAID-funded health programs have focused on specific problems as well as long-term, systemic improvements for reproductive, maternal and infant health, care of orphans and infectious diseases. Technical assistance on fiscal, legal and regulatory reform contributed to

model laws and policies, both regionally and nationally. We were a principal actor in helping Russia control a major diphtheria epidemic in 1994-96, and our work to introduce modern family planning information and services helped reduce abortion rates. USAID has adapted the World Health Organization (WHO) tuberculosis treatment and reporting protocol to the Russian context and applied it in several pilot regions. Having achieved cure rates that meet or exceed WHO standards for success, the program is building consensus to adopt WHO recommendations nationwide. This would be a major step toward reducing tuberculosis incidence in Russia, which now stands at epidemic levels, and which could shift toward multi-drug resistant strains if HIV/AIDS incidence continued increasing.

In other areas, a regional system to prevent abandonment of children with disabilities was developed and launched. Quality improvement methodologies have restructured services in two regions, leading to dramatic health improvements and cost savings. HIV/AIDS and sexually transmitted infection prevention efforts have led to important changes in high-risk behaviors, particularly among vulnerable youth. And NGOs are now recognized as key partners in HIV/AIDS prevention as well as child welfare reform.

Annex I. Faces of Success

The magnitude of reforms made in the Russian Federation over the last ten years has been remarkable, even though daunting challenges remain. Many well-known champions, including some current political leaders, have been credited with the transformation of Russia from the Wild West environment of the early 1990s into the third millennium. Significantly contributing to the Russia reform process, however, are also champions not so well known, so-called “hidden” leaders. Below are stories of three of those leaders, extraordinary individuals at the helm of three groundbreaking institutions. They are having substantial impact on Russia’s transition and have strikingly similar tales to tell. All three attribute much of their success to the professional training and mentoring received through USAID programs. USAID applauds these and many more such leaders, who are bringing about changes that are visible to ordinary Russians.

Nadezhda Kosareva and the Institute for Urban Economics

Russia’s prospects for developing a prosperous free-market economy have never been better, but a staggering amount of work remains to be done on the reform agenda. Still critical to overall Russian prosperity is continued reform at the local level. The last decade in Russia has shown vast devolution of responsibilities to the local level where local governments have had to work at restructuring their economies. Dr. Nadezhda Kosareva, an internationally recognized expert on the restructuring of urban economies in transition countries, has been a key player in this arena.

Kosareva’s extraordinary story begins in the early 1990s, following her work as a research fellow at the USSR Academy of Sciences. Hired as a consultant for the U.S.-based Urban Institute, Kosareva was part of a team implementing the USAID-funded Shelter Cooperation Program in the Russian Federation. She was quickly recognized for her stellar technical and managerial talents, and she rose to the role of Deputy Program Director after only two years.

The Urban Institute’s philosophy was to nurture highly qualified young Russian specialists such as Kosareva in the development of housing policy, housing finance, practical implementation of demonstration programs for housing sector reform, and the analysis and assessment of results. This mentoring paid off handsomely: at the end of its contractual agreement with USAID in October 1995, the Urban Institute created a Russian organization, IUE, leaving intact the team that had worked together for three years and in essence “Russianizing” its program. Kosareva was a natural choice to head the new organization.

During her work for the Urban Institute, Kosareva had concentrated on housing policy issues: the development of housing reform concepts and the corresponding legal framework, especially the housing finance system. Under her direction, IUE has dramatically diversified into other areas of urban economics. IUE has introduced and developed approaches to financing of housing and urban infrastructure, municipal management, urban land use, social protection of the population and other problems of urban social and economic life. With USAID’s support, Kosareva and her

researchers have been in the forefront of new federal legislation, planning regional and municipal programs of economic development, and introducing new methods of problem-solving into all areas of the urban and national economy. Through USAID's current grant, Kosareva and IUE are working to increase the capacity of local governments and local communities to provide goods and services on a sustainable basis. IUE is now focusing more on comprehensive local governance issues, including strengthening citizen participation in the budgetary process and allocation of local resources.

Last year, Kosareva crafted a partnership between IUE and the Center for Strategic Development (previously headed by Minister of the Economy German Gref), catapulting IUE to the center stage of economic reform. IUE drafted two major sections of the highly regarded Gref Plan – Housing and Communal Services Reform, and Land and Real Estate Market Reform – and contributed significantly to the Social Assistance Reform section. The partnership with the Center allowed IUE to deepen its research into such fields of public policy development as strategic planning of housing, land and real estate reforms, and to promote a new policy on social safety. In October 2001, Russia's new Land Code, drafted and shepherded through the Duma by IUE, created a private land market in Russia.

IUE has journeyed far. Where once the Urban Institute was the implementer and IUE the subcontractor for USAID's social policy reform program, the two institutions have since switched roles. Kosareva strongly believes that IUE will soon achieve full sustainability, given its diverse sources of funding (the World Bank, EU/TACIS and the Ford Foundation) underpinned by USAID's institution-building grant. Furthermore, IUE's services are in demand outside of Russia – the organization has partnered with U.S. firms to obtain consultancy contracts with USAID/Kazakhstan and USAID/Armenia. Optimistic about Russia's next generation, Kosareva is developing the curriculum for a Master's Degree program in Urban Economics. This program, which she fondly calls "IUE University," will be partnered with an American university.

Kosareva says that NGOs such as hers furnish "new approaches to social and economic problems, contribute much to new standards of unbiased and scientifically valid research, and break the government monopoly in public policy development." Her modest hope is that IUE will become "a leading think tank in public policy development for Russian regions and municipalities." The hope is modest because IUE has already in many ways achieved its goal – as reflected by its web site, which receives the highest number of hits for technical sites in Russia. Under Kosareva's charismatic leadership, IUE is poised to take advantage of opportunities in Russia to sustain the momentum for local reform and make changes that are visible to ordinary Russians.

Galina Kurlyandskaya and the Center for Fiscal Policy

Disparities in revenues between federal, regional and local governments, largely the product of centuries of highly centralized government control, can only be conquered through reform of intergovernmental finances. Dr. Galina Kurlyandskaya is a high-level policy advisor and

academic who has worked for various fiscal reform projects. As Director of the Center for Fiscal Policy (CFP), a USAID-funded Russian think tank that provides consulting services in public finance and intergovernmental relations to a wide range of clients, Kurlyandskaya is a key player in fiscal reform.

Kurlyandskaya's success story unfolds early in 1996. After 18 years with Moscow's Institute for World Economy and International Relations, Kurlyandskaya became the first Russian hired by two U.S. contractors, the Barents Group and Georgia State University. She consulted solely on intergovernmental fiscal relations, although the project provided technical assistance in five broad fiscal policy areas: tax policy and legislation, tax administration, intergovernmental fiscal relations, real property taxation, and economic analysis and revenue forecasting. Two years later, USAID launched a more comprehensive fiscal reform program. In 1999, recognized for the experience she had gained under the previous USAID programs, Kurlyandskaya was appointed the new program's Chief of Party.

Kurlyandskaya and her team of Russian professionals provided advice and technical assistance to the federal government as well as to a number of regional governments. At the federal level, the project functioned as the research arm of the policymakers at the Ministry of Finance, the Presidential Administration and the State Duma. Several important reforms in intergovernmental relations have been attributed to the Project, including substantial improvements in the federal-regional revenue transfer mechanism. Kurlyandskaya played a central role in developing a national strategy for reform of intergovernmental relations at the regional level. Further, the project worked with five pilot regions to develop intergovernmental fiscal strategies at the regional level that are more in step with a market-oriented economy.

This vast experience was augmented with western exchanges and training programs, including coursework at Harvard University for Kurlyandskaya. The Russian professionals began to build management and leadership skills in addition to shoring up their expertise in public finance. By the end of the contract, this group had the skills it needed to form its own think tank.

In FY 2000, USAID facilitated the creation of the Center for Fiscal Policy as the first fully sustainable Russian organization specializing in intergovernmental fiscal issues. Under Kurlyandskaya's direction, the Center has become USAID's primary partner, with modest technical assistance from Georgia State University and management assistance from Deloitte Touche Tohmatsu. Kurlyandskaya and her team provide consulting services to all levels of government in Russia on improvement in the legislative framework and application of best practices in intergovernmental relations. The Center works directly with the Russian Ministry of Finance, the State Duma and regional governments to increase the efficiency of equity of intergovernmental fiscal relations. USAID is building the Center's institutional capacity and providing assistance on such issues as financial management, human resource policies and business development.

Over the last two years, the Center's accomplishments have been notable. At the federal level, the group devised several critical provisions that were incorporated into Russia's Federal Budget Code. Working in six pilot regions on the regional budget processes, the Center has requests to work with an additional 30. Recently, the Ministry of Finance asked Kurlyandskaya to carry out

public expenditure reviews. This was a relatively new field for the Center, but the team developed the expertise and performed with the highest level of professionalism. As a consequence the review's results were factored into decisions for the FY 2002 Russian Budget. Building on this success at the federal level, Kurlyandskaya will now roll out public expenditure reviews to the regions.

"We are in demand!" Kurlyandskaya said. The Center has just won a World Bank contract focusing on fiscal federalism and is competing for a contract from the British international development agency (DFID) that will complement the World Bank fiscal federalism program and USAID's work. "Because of our USAID contract, my team knows what is going on in regions. This makes us competitive," Kurlyandskaya said. Many others, including donors and regional governments, are competing for the think tank's talents. It has just been approached by CIDA, the Canadian donor agency, to produce university course materials on fiscal federalism. Although overloaded, Kurlyandskaya has taken on the task because the course affects Russian youth.

Kurlyandskaya attributes the Center's success to her team's "spirit abounding with enthusiasm." With her own infectious enthusiasm, Kurlyandskaya outlined her vision of establishing a network of regional consultants to act as the Center's "envoys" to local governments. They will begin as residents and then grow into a network of think tanks at the regional level." She plans to introduce public expenditure reviews in all 89 regions. With a firm belief in transparency at all levels of government, her long-term vision is to make taxpayers interested in how their money is spent.

Kurlyandskaya is optimistic. "Each year, there are big changes in Russia. When looking back, there have been huge changes — the biggest being the mentality of government workers. We were first to recommend changes in public finance; today, the government is making the same recommendations. They listened to us!"

Dmitriy Vasiliev and the Federal Commission on Securities Markets

The recent return of capital to Russia from abroad and the increasing willingness of Russians to invest in Russia have boosted growth while underscoring the emerging investment opportunities in post-crisis Russia. Capital markets institutions, launched and developed with USAID funds, are now regulating the emerging Russian securities market. National Association of Securities Market Participants is a regulatory system analogous to the U.S. National Association of Securities Dealers; the Russian Trading System is an over-the-counter trading system equivalent to the NASDAQ; and the Federal Commission on Securities Markets (FCSM) is equivalent to the U.S. Securities and Exchange Commission. As the first chair of the FCSM from 1996-1999, Dmitriy Vasiliev is credited with having brought a reputable stock market to Russia. The USAID Capital Markets Development Program was launched in 1994 to establish the infrastructure and regulatory framework that Russian enterprises needed to raise capital via a professional, efficient, and accountable mechanism. Before USAID's involvement, no such thing

existed in Russia. In an era when entrepreneurs were just getting started, unregulated Ponzi schemes stole the savings of millions of middle-class Russians. Meanwhile, financially savvy Russians shunned the securities markets, considering it a place to put only their gambling money. Vasiliev, an early leader in the Russian Federation's post-*perestroyka* reforms, was appointed by President Yeltsin to lead the development of a capital markets regulatory structure. USAID mobilized financial and technical resources from USAID contractors and other U.S. government agencies (including the SEC) to help Vasiliev. In 1995, he formed the FCSM. In the beginning, the FCSM consisted of a small central office in Moscow. With funding from USAID, Vasiliev created an institution that presides over a growing, increasingly legitimate securities market with increasing uniformity of regulation throughout Russia. The agency has a national network of 15 offices that carry out surveillance, regulatory, and market development activities throughout Russia. FCSM licenses brokers and dealers, brokerage firms, and investment advisors. It registers and monitors the issuance of company shares by Russian firms. Its web-based tools list periodic reports on companies, a first for Russian companies. These reports build more transparency into the securities market.

When FCSM was getting started, the Russian Federation was under immense political pressures to structure its capital market along the lines of the German "financial-industrial complex," in which a few large banks control both capital and industrial enterprises. With help from USAID's technical advisors, Vasiliev warded off this outcome, which could have had disastrous results for Russia.

In addition to supporting Vasiliev's creation of the federal regulatory structures, USAID helped to create the infrastructure for clearance and settlement of stock trades. The Russian Trading System (RTS) handles Russia's over-the-counter stock trades in a clear and transparent manner. USAID has used RTS's software system in other countries such as Bulgaria. FCSM delegated NAUFOR the authority to test and certify brokers and dealers. This is a huge achievement – the program has effectively spawned a self-regulating organization. Finally, the Collective Investment Center monitors and provides public education on mutual funds.

In the words of a key U.S. player, "Without USAID's funding, the capital markets infrastructure in Russia would not [have come into being] — at least not in the time it did, or with the degree of transparency or with the relationship to the US/Western model. None of this existed before USAID put its money and talents into creating it. And I am quite certain that other donors wouldn't have accomplished what USAID managed to do."

After creating the FCSM, Vasiliev geared its activities to upholding investor interests. Consequently, he is widely known as a champion of investors' rights in Russia. With a wealth of theoretical knowledge and practical experience gained during his years with FCSM, Vasiliev in 1999 launched the Investors Protection Association and was elected Chairman of the Board. The Institute's prime calling is to advocate for investors' rights. In June 2000, Vasiliev co-founded the Institute of Corporate Law and Corporate Governance and serves as its Executive Director. The Institute defends investor rights in court. Both groups aim to improve corporate governance in Russia.

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- Zakharov, S.V.; Ivanova, E.I.; Sakevich, V.I. *Adolescent Reproductive Behavior and Health in Russia.* The POLICY Project, 2000

Annex K. Goals for U.S. Assistance in Russia

On November 16, 2001, Ambassador William Taylor, Coordinator of U.S. Assistance to Europe and Eurasia, established the following goals to guide U.S. assistance programs in Russia:

1. To develop democratic institutions in Russia, including a free media and a vibrant civil society.
2. To promote the rule of law in Russia, including through the development of an independent judiciary and combating corruption.
3. To develop a liberal trade and investment regime and integrate Russia into world economic organizations such as the World Trade Organization.
4. To promote sustainable economic growth underpinned by broad-based market reform.
5. To develop an entrepreneurial middle class that will be a major advocate for reform.
6. To encourage Russia's continued cooperation with the international community to combat international terrorism, crime, narcotics trafficking, trafficking in persons.
7. To ameliorate key health threats including communicable diseases such as HIV/AIDS and Tuberculosis, and to improve maternal and infant health.
8. To increase Russian understanding and appreciation of U.S. society and promote, in the long term, a broader acceptance of U.S. policies and a continued openness among Russians to Western ideas and values.

Annex L. Parameters Memo



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

DEC 19 2001

TO: USAID/Russia, Carol Peasley, Director

FROM: AA/E&E, Kent Hill *KRH*

SUBJECT: Setting Parameters: Russia Strategy Amendment 2002 – 2005

I. Introduction:

Per ADS Chapter 201, regional bureaus are required to provide planning parameters used by operating units in preparing their strategic plans. The E&E Bureau's "Guidance on Strategic Plans," revised September 1, 1998, provides additional planning guidance specific to the policies and legislation that underpin the E&E program.

This memorandum serves as the required and formal E&E Bureau notification to the USAID/Russia Mission on those requirements and recommendations that should be taken into account in preparing its strategic plan amendment, modifying and extending the strategic plan for Russia for three years. In accordance with the ADS, the Mission, PPC, G, and M have had input into this notification prior to its finalization.

This document is a mandatory annex to the strategic plan, either in full text, or in summary.

II. Strategic Plan Period

The Russia Strategic Plan Amendment will cover the fiscal years 2002 – 2005.

III. Agency and Bureau Goal Areas

The Mission may propose Strategic Objectives (SOs) or Special Objectives (SpOs) consistent with the Strategic Assistance Areas, as described in the Bureau's "Strategic Framework," December 1999. The framework, having incorporated lessons learned from the Bureau's stocktaking exercise, continues to serve as the foundation for all E&E strategic plans. Should the Mission find that elements of the framework in any way cause distortions to the strategy amendment, this should be brought to the attention of E&E/PCS early on to ensure resolution of issues in a mutually agreeable way. The Bureau understands that the Mission may revise SOs and develop sub-goals to make them more Russia specific and in the Mission's manageable interests.

ADS 201.3.4.5 requires that "An SO should... (1) link to one principal Agency goal and one principal Agency Objective as defined in the most current Agency Strategic Plan. An SO may be linked to other Agency goals and objectives on a secondary basis, if appropriate." The six goal areas in the 2000 Revised Agency Strategic Plan were reconfigured in the FY 2003 Bureau Program Budget Submission (BPBS) guidance into three substantive pillars: Economic Growth, Agriculture, and Trade; Global Health; and Democracy, Conflict, and Humanitarian Assistance. Each of the program areas under the six Agency goals corresponds to one of the three substantive pillars. Thus, in meeting the ADS requirement to link each of its SOs to one Agency goal, USAID/Russia will be able to relate its program to the three pillars as stated in the FY2003 BPBS guidance. The Bureau also encourages USAID/Russia to provide in its proposed Strategic Plan Amendment illustrative examples of how it might apply the principles of the Agency's first pillar, the Global Development Alliance, to forge alliances with the private sector and other partners in pursuit of its SOs. Background information about the GDA is provided in the FY 2002 Congressional Budget Presentation and on the USAID web site at <http://inside.usaid.gov/GDA>.

In laying out the rationale for the Strategic Plan Amendment, the Mission must describe the degree to which SOs under the FY 1999-2003 Country Strategy have been achieved to date, including explanations of areas where progress was impeded. By discussing the previous Strategy analytically, the Mission should be better able to explain the changes made in the Strategic Plan Amendment, the problems addressed, and any changes to SOs. Any new SOs proposed by the Mission may require additional analyses to support their inclusion in the Strategy amendment.

The Mission is free to choose the total number of SOs it will undertake. However, given continued restrictions on staff and OE, the Bureau recommends that SOs focus on a few priorities. The report on the Russian Assistance Review is an important resource in this regard.

The Mission should follow the guidance below in considering objectives under SOs 4.1 and 4.2:

1. Operating units will revise their titling of Strategic Objectives for special initiatives and crosscutting objectives to identify them as Special Objectives.
2. An operating unit might have three types of Special Objectives:
 - a. A stand alone Special Objective that might be an activity or related group of activities directed at a specific purpose but that is not directed at an operating unit's main strategic objectives. Typically, these would be significant undertakings launched perhaps in response to an earmark or foreign policy directive. These types of special objectives would be notified separately and planned results will be specified and reported against. Whether or not a "full" results framework will be required will depend on the type and scope of the assistance effort funded by USAID.

b. A Special Objective that encompasses a number of unrelated activities that in turn are not directed at the operating unit's core strategy. Typically, activities under such an objective would be earmarks or directives (such as from the Coordinator's office), or pilot efforts of insufficient size and scope to warrant their own special objective. For each such activity, the operating unit will define a planned result and will report progress toward that result, and thus, there will have to be at least one indicator and target for each activity. Given the limited size and scope for such activities they would be unlikely to benefit from having their own results framework.

c. A special objective identified as "Program Support" that would contain activities supporting multiple objectives in the operating unit's strategy. This equates to E&E's current SO 4.2 Crosscutting. Typical activities in this special objective would be training, evaluations, administrative support of multiple SOs, and in Eurasia, the Eurasia Foundation. While such Program Support activities will have to be tracked for implementation purposes and to assure that progress is in line with expectations, E&E Operating Units will not report on this activity-level progress in R4s (which deal with strategic impact). Since the strategic impact of Program Support activities is realized and reported in the R4 against the multiple SOs these activities support, there will be no Results Framework and no indicator reporting on Program Support in the R4 or any successor document.

In furtherance of this guidance, E&E cautions its Operating Units not to include in the Program Support category (on which no reporting will be required) assistance that really belongs in category a or b above (on which some reporting is required). E&E advises the Mission to separate out such activities from the unit's program support objective.

Finally, the Mission should provide detail on how the Mission will organize themselves to manage by SO. (For additional Agency and Bureau requirements on goal and objective areas, please see section V. Resources, part A, below.)

IV. Assistance to the Mission in Strategic Planning

The E&E Bureau can provide support in carrying out the strategic planning exercise. USAID/Russia is encouraged to identify any areas in which it needs additional assistance in completing the Strategic Plan Amendment. In addition to E&E technical and support offices, the Global Bureau is available to provide sectoral or crosscutting input, or otherwise facilitate the Mission's development of the strategy amendment.

V. Resources

A. Program funding levels over the strategy time frame are dependent on the decisions of EUR/ACE pursuant to annual appropriations. The report on the Russia Assistance Review identified and reaffirmed these goals. The Mission should base the strategy on an annual budget assumption of \$97 million over the 2002 – 2005 timeframe. Of this amount, USAID Russia will be expected to contribute \$22 million annually to the U.S.-Russia Investment Fund and \$10 million annually for the Eurasia Foundation.

B. Staffing and Operating Expense Levels: The Mission should use current staffing and operating expense levels as more or less indicative of future levels. Please explain any adjustments needed to these levels related to strategy proposed. Also, include discussion of any significant security enhancements or the need for movement to new office space requiring funding by USAID during the period of time covered by this strategy.

VI. Assessments

Refer to ADS 201.3.4.11 for the technical analyses required of missions preparing Strategic Plans. Section 119(d) of the Foreign Assistance Act requires an environmental impact analysis that cannot be waived. Conflict prevention and gender analyses are also mandatory for preparing Strategic Plans.

A. The Strategic Plan must comply with the biological diversity assessment requirements under Section 119 of the Foreign Assistance Act. This requirement states that each country development strategy statement or other country plan prepared by the Agency for International Development shall include an analysis of the:

- (1) Actions necessary in that country to conserve biological diversity, and
- (2) Extent to which the actions proposed for support by the Agency meet the needs thus identified.

In order to comply with Part (1) above, USAID/Russia needs to have a biodiversity assessment and discuss its implications in the Strategy amendment. Any decision to change its program or implement any of the recommendations based on this analysis is up to the Mission. However, the reason for conducting the 119 analysis is to inform the decision-making process and help shape program design and planned interventions. If the assessment has not previously been conducted, E&E/EEST can provide assistance in planning for the assessment. Some E&E missions have carried out their assessments under the Global Bureau's "Biodiversity and Sustainable Forestry (BIOFOR) IQC" for approximately \$35,000 per country.

B. Conflict Prevention Analysis, per ADS 201.3.4.11 b. As part of preparing a new USAID country strategy, Operating Units must: (1) prepare an appropriate vulnerability analysis that addresses the potential for conflict; (2) summarize the findings of such analyses in the strategy document; and (3) specifically indicate when and how these findings affect the proposed strategy. This requirement only applies to situations where clear potential for conflict exists. Since this is an Amendment to an already approved strategy, PCS suggests that the Mission explain its thinking about issues of conflict in Russia and how they will affect achievement of the proposed SOs and general success of the program. If the Mission is able to utilize resources available at the Mission or Embassy to produce the analysis, outside assistance may not be required. However, given the new pillar on conflict prevention and the establishment of a new task force on the subject, the Mission may wish to avail itself of available resources.

C. Gender Analysis. Mission is referred to ADS 201.3.4.11 for the full statement of the required analysis. The essence of this section is that "USAID's gender mainstreaming approach requires that appropriate gender analysis be applied to the range of technical issues that are considered in the development of a given Strategic Plan. Analytical work performed in the planning and development of Results Frameworks should address at least two questions: (1) how will gender considerations affect the achievement of results; and (2) how will results affect the status of women and men?" The Mission is reminded that, unlike the two other mandatory analyses, the results of gender analysis are to be factored into the choice of SO and approach to achievement, and this should be clearly demonstrated in the narrative, illustrative activities and indicators, as appropriate.

D. In addition, the Mission may complete additional technical assessments and analyses to justify or support its programs. E&E will provide support in completing these, upon request and consultation. The Bureau concurs with the proposed assessments and analyses that the Mission plans to conduct i.e., a youth assessment, gender assessment, conflict prevention analysis, and biodiversity assessment.

VII. The Strategy Document

The amended Strategy should explain in the narrative the development challenges in the country, the Mission's selection of issues to address, and how USAID assistance will address these issues. Discussions of the SOs and SpOs should include at least one indicator at the strategic objective level and a related target the Mission intends to achieve by the end of the strategic plan period. In essence, this will identify what the Mission expects to achieve should the resources sought be provided. Discussions should also identify illustrative performance indicators at the intermediate result level and discuss illustrative activities the Mission plans in support of the objectives during the first year. The amended Performance Monitoring Plan must be completed one year from strategy approval.

The amendment should discuss the role of the Embassy and other USG agencies and how enhanced coordination with them will take place. The strategy amendment should include all funding sources, including E&E regional initiatives, BHR, Global, and FSA funds. The Mission should discuss USAID's role and influence in relation to other USG agencies involved in the transition in Russia. Similarly, the Mission should discuss roles of other major donors, how they affect USAID's strategic choices, and how USAID programs are coordinated with theirs.

In accordance with ADS 201.3.4.2, "partners, customers and stakeholders must be consulted and where feasible, be actively engaged in the development, updating and monitoring of SPs." This can be accomplished at both the strategic plan and activity development stage through town meetings, focus groups, formal and informal consultations, systematic formalized customer surveys or research, etc. All forms of consultation are subject to Agency guidance on conflict of interest dated July 21, 1999.

VIII. Timeline

February 8, 2002
March 11-15, 2002

Final Strategy Amendment Submitted
Strategy Amendment Review

IX. References

- *ADS 200 Series*: available on-line at <http://inside.usaid.gov/ADS/>. Mandatory and Additional Help References on Strategic Planning are best accessed through the links on the ADS CD-ROM.
- *2003 R4 Reporting Memorandum*, includes agreements reached during the R4 review and subsequent discussions.
- *Agency Strategic Plan (2000)*, available on-line at http://www.dec.org/pdf_docs/pdabs960.pdf
- *From Transition to Partnership: A Strategic Framework for USAID Programs in Europe and Eurasia, December 1999*
- *Broadening the Benefits of Reform in Central and Eastern Europe and the New Independent States: A Social Transition Strategy for USAID.*
- *Guidance on Strategic Plans (9/98)*, Bureau for ENI – available from E&E/PCS.

Annex M. List of Acronyms

ADS — Automated Directives System
BSI — Business support institutions
CDC — Centers for Disease Control
E&E — Europe and Eurasia Bureau
FCSM — Federal Commission on Securities Markets
GDP — Gross Domestic Product
HIV/AIDS — Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ISO — International Organization for Standardization
IUE — Institute of Urban Economics
NGO — Non-governmental organization
R4 — Results Review and Resource Request
RTS — Russian Trading System
SME — Small and Medium-size businesses
STI — Sexual transmitted infections
TV6 — one of the major national TV channels
USG — United States Government
WTO — World Trade Organization
WWF — World Wildlife Fund
NTV — one of the major national TV channels